CONFIDENTIAL.

NEW SERIES No. 28.

SELECTIONS FROM THE RECORDS

OF THE OFFICE OF THE

FINANCIAL COMMISSIONERS, PUNJAB.

Published by Authority.

No. 53.

CONTENTS.

LXXXII—Selections from reports relating to the assessment of Income-tax.

Lahore:
PRINTED BY THE SUPERINTENDENT, GOVERNMENT PRINTING, PUNJAB.
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INTRODUCTION.

FROM time to time the suggestion has been made that the Financial Commissioner should issue authoritative instructions for the assessment of income tax. From time to time officers have been placed on duty to undertake special revision of income tax assessments in particular localities and these officers have drawn up reports containing suggestions useful and otherwise as to the improvements in methods and procedure which their experience has led them to commend. Commissioners and Deputy Commissioners in inspection reports and orders issued to their subordinates and in annual reports, have also from time to time drawn attention to details of income tax administration. In such reports and inspection notes and the correspondence connected therewith there is a vast quantity of information of more than ephemeral value. A record of the difficulties and problems which have been encountered and surmounted by assessing officers in the past, of sources of inquiry which have yielded results, and of methods of procedure which have met with acceptance and facilitated the acquisition of information, and descriptions of the common errors and omissions which vitiate the work not only of assessment but also of disposal of objections—cannot fail to be profitable to future assessing officers. It is with this object that the present compilation is published. In so publishing it the Financial Commissioner desires that it be understood that none of the opinions recorded, methods and schemes described or suggestions put forward have any authoritative force beyond that which corresponds to the authority of the officers responsible for such opinions, etc. In regard to many of the propositions contained in these papers there is room for difference of opinion. It is out of the question to circulate them for criticism with a view to the preparation and issue of authoritative instructions for general observance. That course would result in the accumulation of a mass of material to deal with which would task the resources of the Financial Commissioners' office to an extent out of proportion to the importance of the issues involved. Without such criticism the Financial Commissioner is unable to pronounce a decision on these issues. The compilation must therefore be studied for the sake of the information, the hints and the suggestions which it contains. Assessing officers who have mastered its contents will, the Financial Commissioner feels sure, seldom fail to extract from it something which can be turned to profitable use in the conduct of their work.

The volume is marked confidential because it is obviously undesirable that it should be open to the Press to criticise and comment upon the methods and procedure of executive officers described in reports which at the time were intended for the perusal of their official superiors only.

MILES IRVING,

The 1st May 1915.

Senior Secretary to the
Financial Commissioners,
Punjab.

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No. 369, dated 10th September 1900.

From—The Hon'ble Mr. H. C. FANSHAWE, C.S.I., Commissioner, Delhi Division,

To—The Junior Secretary to the Financial Commissioner, Punjab.

I HAVE the honour to forward, for the information of the Financial Commissioner, the report prepared by Lala Mul Raj, Extra Assistant Commissioner, upon the revision of the income-tax assessment of the city of Delhi.

2. The instructions issued by the Deputy Commissioner to Lala Mul Raj were prepared upon general indications given by me, and I discussed the proceedings on various occasions with the officer on special duty. I agree with Captain Douglas in his estimate of that officer's work, and I trust it will be possible to allow him to remain for 2-3 years in Delhi until we obtain an assured basis for our assessment. It is probable that for 2-3 months in each year while he is engaged specially on such work, I shall have to ask for another officer to be added to the district staff, but we shall see as to this in due course. The retention is the more necessary as certain branches of trade have been unduly inflated and certain others depressed during the late year, and it is very desirable to get a standard state of things in these. A place like Delhi cannot be dealt with in the ordinary way, and supposing the present assessment to stand we shall in having an officer on special duty for 2-3 months yearly be spending less than 1 per cent. on the income which will be realized. Possibly after 3-4 years we may get a reliable working basis, but I should recommend that the Delhi assessment be specially revised at the end of every ten years.

3. I think the suggestion of Captain Douglas that the Treasurer should be *ex-officio* examiner of Income-Tax Accounts in Delhi is a good one and that it should be followed. The Treasurer is as likely to be impartial in the discharge of this duty as any one else will be, and will not I consider be unduly favourable to Government. Of course any one who wished it would be allowed to have some other independent examiner. Gradually the Treasurer should, with the experience acquired, be able to give as valuable general information regarding the Delhi assessment.

4. If the number of appeals against the new assessments is very large I shall have to ask for assistance in disposing of them, and the Hon'ble the Lieutenant-Governor has been pleased to say that he will be prepared to give this. My own system in disposing of appeals where no reliable accounts are produced—and in the south of the Punjab they are hardly ever produced—is to consider summarily how far a fair and full examination has been made before assessment, and if this is satisfactory and the order in first appeal and the grounds of the 2nd appeal do not really impeach the facts contained in the record of the examination to summarily reject the appeal, special care being devoted to the case of new assessees and assessees whose tax has been largely increased. I enclose for the information of the Financial Commissioner copies of instructions issued by me for the aid of Collectors upon my experience of the work of assessment of income-tax during the last two years.

No. 66, dated 31st August 1900.

From—Captain M. W. DOUGLAS, Deputy Commissioner, Delhi,

To—The Commissioner, Delhi Division.

I HAVE the honour to forward the report drawn up by Lala Mul Raj on the enquirie held by him into the income-tax assessment of Delhi, together with the memorandum of instructions which were issued to him at the commencement.

2. Although the year was not a favourable one for such an investigation Lala Mul Raj has been able to raise the number of assessees from 984 to 1,646 and the amount of tax under part IV from Rs. 54,774 (the final demand of 1899-1900) to Rs. 1,13,760. Mr. Parker's estimate for the city made in 1887-88 was Rs. 53,358 and the rate per thousand 308 as compared with 590 deducible from the present reassessment, but there has been a great rise in local commercial prosperity during the last decade, which probably justifies the enhancement arrived at by Lala Mul Raj. As an indication of increased prosperity I may mention that the value of imports and exports by rail in 1899 was approximately Rs. 8,01,25,232 and Rs. 5,40,93,919, respectively, whereas the figures in 1889 were imports Rs. 2,96,55,329, exports Rs. 1,38,13,589. (The imports have been nearly trebled, the exports quadrupled.)

No doubt there will be a large number of appeals and a certain number of the assessments may be reducible. At present it is impossible to say definitely to what extent the total figure of Rs. 1,13,760 is a fair estimate or otherwise.

3. One thing is evident, namely, that income-tax work in this district has outgrown the present system of control.

The staff in Delhi consists of the Vernacular Superintendent assisted by one permanent and one temporary muharrir, and with the exception of the assessments of incomes below Rs. 2,000 per annum, which are dealt with by the Tahsildar, all the files pass through the hands of the Vernacular Superintendent.

It is a simple matter for assessees to escape detection for the reason that there is no detective agency employed on behalf of Government in making active enquiries and in collecting information. Neither the Collector nor the Tahsildar have the time, and such work is not within the province of the Superintendent, Vernacular Office.

4. It seems to me that an Extra Assistant Commissioner with special qualifications (such as reliability and knowledge of English) should form one of the staff with a view to his supervising the department of income-tax, and this officer should not be transferred more than once in three years.

It will be his duty under the direction of the Collector to conduct all income-tax enquiries, to keep in constant touch with business circles, collect from time to time all information available regarding the fluctuations of the various trades, the deals of leading firms, to watch the cause lists of the civil courts and duly record all information in the appropriate files.

5. For the present the officer in question should obviously be Lala Mul Raj. If the work is properly done there is no doubt that during certain months of the year the officer will have to be relieved of a certain amount of ordinary court work. Time will show the extent to which this may become necessary and whether we can arrange locally to dispose of the surplus cases.

6. Difficulties also arise in connection with the examination of accounts. In Delhi as elsewhere the accounts of the principal firms are maintained in Hindi and are intelligible only to experts. Whenever a firm is called upon or offers to show accounts, a sum fixed by the Collector or other presiding officer is paid into court and some one has to be found who is neither the friend nor enemy of the assessee, is competent to examine the accounts and who can be relied upon not to divulge information. In cases of big and influential firms it is not easy to find a suitable or willing person and the reports which are submitted are of little practical worth.

7. I think this duty should be definitely apportioned to the Government Treasurer and should constitute part of the duties of his office. There should be a fixed fee calculated by a percentage on the assessment accepted, payable to the Treasurer and recoverable from the assessee. It will be of course optional to the latter to object and propose any other examinee for the consideration of the court, but I fancy this will rarely be done.

8. Lala Mul Raj has I consider conducted this difficult enquiry with unusual tact and thoroughness.

General outline of proposed operations with regard to income-tax in Delhi.

(1) Divide the town into different well known mohallas and bazars, marking the boundaries of each on a map, and see that no part of it is left out.

(2) Prepare a list of all the Mir-mohalladars, Chaudhris, Dalals and other respectable persons, such as Municipal Commissioners, Honorary Magistrates, etc., who are likely to give help in assessing men of different trades and professions in each mohalla or bazar.

(3) Group all the assessees according to their various trades and grades (already partially done) who have been on the list during the past five years.

(4) Visit each mohalla or bazar so marked in the map, make enquiries in the presence of above-mentioned persons, mark all doubtful cases on the list and add all new names with brief notes of their income.

(5) With regard to those payees on the list who are not marked doubtful and whose annual income is under Rs 2,000 ordinarily much further enquiry will not be necessary, but in all other cases full enquiries must be made.

(6) Issue notices under section 18 of the Act to all payees whose income is Rs. 2,000 or above and to those who are marked doubtful and give option to each payee to file a memorandum showing first (1) his annual income for five years, (2) his accounts, and (3) the sources of income (if house property, lists of houses, rents collected, etc).

(7) In case of non-resident persons who have got some source of income in Delhi make enquiries in the same manner as if they were residents of this town and communicate to the Collectors concerned the result of these enquiries.

(8) Examine Municipal files with regard to house tax in order to find out the income of each person derived from house property; making list of the houses, probable rents and recording them under the names of the various owners.

(9) Examine registration office and registers of petition and other deed writers in the town for the current and last three years.

(10) Find out imports for the current and last three years from the Railway and Municipal office and see who the principal importers are and the extent of imports.

(11) Examine registers of the Small Cause Court for the current and last three years and see who the principal money-lenders are.

(12) Make public and confidential enquiries, drawing separate notes with brief reasons of assessments on every assessee or firm.

(13) Give short history, as far as can be ascertained, of large firms whose annual income exceeds Rs. 10,000.

(14) Special attention should be directed—

(a) to ascertain the other income derived by employees whose salary is less than Rs 2,000 per annum and to inform the officer who disburses their salaries of the amount thereof in each case ;

(b) to ascertain the income from private practice of doctors and other native physicians and private practitioners and the commission fees, rewards realized by record-keepers, daroghas, copying clerks and the like.

Income-Tax Assessment Report made by Lala MUL RAJ, Extra Assistant Commissioner on special duty at Delhi, to the Deputy Commissioner, Delhi.

I MOST respectfully beg to submit my report on the income-tax assessments of the city of Delhi :—

1. I entered upon my duties on the 1st of December 1899 ; the original period of four months sanctioned by Government having expired on the 31st March, it was subsequently extended by two months from the 1st of May to the 30th June 1900, thus making the total period of assessment operations extend over full six months.

2. In order to have all persons liable to taxation on the register it was thought advisable to begin with preparing lists of all the principal shops and firms in each of the 15 municipal wards of the city, arranged according to various trades and professions.

3. As each list was prepared I began to attest it by personal visits to each ward and by calling together as far as possible members of each profession at some convenient central localities within the ward and reading out the list to them in order to invite suggestions calculated to correct or add to the tentative lists prepared. This mode of attestation led to the discovery of the several branches of the big firms and to the obtainment of the *primâ facie* knowledge of the condition of some of the large firms and principal branches of trade.

4. This stage of the work presented many difficulties inasmuch as some persons gave false or incorrect names of the firms, others temporarily shut up their shops, while some went so far as to remove even their sign-boards. In short no efforts were spared to put obstacles in the way of correct preparation of these lists.

The mistakes that crept into these lists as a consequence of these efforts at obstruction could not be corrected or detected soon. It was by constant verification, which in some cases had to be carried on to the very last, that these mistakes were rectified. I must not omit to give in detail the nature of the difficulties that were put in the way of enlistment of all the assessable shops and firms transacting business. It was found in many instances—

(a) that business was carried on *bala khanas* in the bazar or in dwelling-houses in out-of-the-way streets or lanes :

(b) that a number of distinct persons carried on separate business on one and the same premises :

(c) that the same proprietor or proprietors carried on different classes of business under different names.

(d) that some persons were sleeping partners in the profits of business ostensibly carried on by others.

5. The next step was to find out the probable income and the sources thereof of each person on the list. This was the most difficult and more or less delicate task in the whole of the assessment operations. On the one hand I had in view that no person liable to assessment should escape or be under-assessed ; on the other hand it was equally my look-out that no one should be over-assessed or brought on the assessment list who could not pay.

As no one dared to come forward openly to bear testimony to the assessable means of his neighbour or co-professionist, I had to select some leading members of the different trades and professions and to enquire from them confidentially. Not unfrequently I was deceived in my selections, as some of the persons so selected did not scruple to exaggerate, understate, or omit the assessable incomes. Under these circumstances it was almost impossible to arrive at any definite conclusion expeditiously, but as my knowledge became maturer and information more wide and extensive as the result of constant touch with

different persons at different times and hours of the day, I could form an opinion of the probable proper income of each man on the list. It will readily be admitted that the position of the assessing officer is far from being enviable, as he had to confront the ingenuity and shrewdness of the whole of the better class of population in a city like Delhi.

Under these circumstances there are many instances in which my scrutiny has been baffled and I had to leave them where they were. Although no efforts were spared to arrive at reliable conclusions, yet the results are naturally formed on second hand information and exercise of personal discretion in the absence of direct evidence which has been kept in the back-ground by the persons concerned.

This being so any mathematically correct estimates of income were generally not available and therefore I had to base the assessments (*a*) on the probable estimated total value of annual sales effected by any individual or firm where this could be done, (*b*) on the reputed earnings, (*c*) on the mode of living and status maintained, (*d*) on a general comparison of the assessees of the same trade or profession with one another, and (*e*) on the income as returned by the assessees where the figures given appeared to be reliable.

6. Every possible facility was offered and opportunity given to the persons concerned to file their accounts or bring forward any other reliable evidence in connection with their incomes. Accordingly as each list was prepared all the persons on it were called upon to show their accounts or to file their abstract of the sum and in all doubtful cases and in all those cases where the income appeared to be Rs. 2,000 or above notices under section 18 of the Act were issued and declaration forms sent. But very few appeared in response to the above and many failed to submit the declaration forms, some returned them unfilled and others filled them incorrectly.

I further tried to arrive at a true conclusion by personally questioning the assessees, but many of them would not and did not attend.

For the convenience of the people I began to hold my sittings in the city in a room of the Municipal Town Hall.

7. It is to be regretted that owing to the deficiency of establishment, I could not avail myself of such help from other Departments, Railways, Octroi, etc, as could be expected.

8. The city of Delhi, as a centre of trade in Northern India, is said to be next to Bombay and Calcutta. It being also the centre of a net-work of railways connecting it with the Punjab, North-West Provinces and Native States of Rajputana its commercial importance is daily on the increase. The different modes of trade transactions and innumerable sources of incomes are in a majority of instances too intricate and almost too difficult to trace.

9. The year under assessment has been most unfavourable for these operations on account of the prevailing distress and it is generally believed that the commercial prosperity of Delhi has been thrown back some years.

10. The initial demand under part IV now proposed is Rs. 1,13,760 which is Rs. 49,774 in excess of the initial and Rs. 54,775 of the final demand respectively of the last year.

This demand is necessarily subject to alteration on account of the lists remaining open up to the end of December under the rules and because a number of proposals are subject to the filing and examination of accounts.

The accompanying statement will show the number of assessees arranged according to their various grades and professions as compared with that of last year.

11. There has been an increase of Rs. 202 under part I, the final demand under which last year was Rs 8,934.

12. A note showing the state of principal branches of trade during the year under report and statements* showing the total amount of exports and imports during the year 1899 compiled from the railway books and of the total amount of imports for the last five years compiled from the octroi registers are herewith attached

*Not printed.

NOTE.

Piece-goods Merchants.

Pugriwalas and Kamdaniwalas have been included in this category. Piece-goods trade takes the first place in Delhi. It is believed that the annual value of piece-goods imported into Delhi is about Rs. 4 crores. Several agencies have been started here through whom goods are indented for direct from Europe. The goods so imported are distributed amongst the trades in the Punjab, Rajputana and partly in the North-West Provinces.

During the early part of the year the market retained its usual activity, but became dull in the month of *Sauwan* consequent upon the rains keeping off and eventually failing. It regained its activity for the month of *Asauj* after which it again fell off. Prices arose considerably side by side with sales for a fortnight only in the month of *Phagan*.

It would appear from the above that the year was not favourable for this trade; the widespread famine having naturally told upon it to a large extent. Many firms would have failed but for the high prices that prevailed in European markets that had the effect of checking the extreme fall of prices here.

Dullness of this trade drove some dealers in it, especially *Marwaris*, to speculations in grain. From enquiries made there are reasons to believe that the value of sales during the year had gone down by about Rs. 2 crores as compared with ordinary years. In consultation with some of the leading members of the trade the net profits, with slight variations according to the individual circumstances of each assessee, have been calculated at 3 per cent. in the case of cotton and at 5 per cent. in the case of woollen, silken and fancy goods respectively. The Artias receive 1¼ per cent. on the value of purchases made through them; after allowing ¼ per cent. for the ordinary expenses of the shop their net gain has been fixed at one per cent. only.

I must not omit to mention that a private tribunal, under the name of Hindustani Mercantile Association, has been established here to which all disputes relating to piece-goods business are referred for decision out of court.

Note by Deputy Commissioner.—The total assessable income of wholesale dealers only in piece-goods is about Rs. 10,31,250 which ought to yield about Rs. 26,800 income-tax. The assessment is about Rs. 23,000 but our figures are naturally somewhat uncertain.

KARANEWALAS.

The assessees under this class include Atars (druggists) and Pansaris.

Dealers under this class who had large stores of Zira and Dhania, etc., made large profits from the rise in prices of these articles. The crop of chilly is said to have been exceptionally plentiful as if the dry weather was favourable to its growth, therefore large imports into the city with a proportionate export from it brought considerable gains to some of these dealers. Besides this many of them had made large dealings in grain and have got branch shops for grain transactions.

CONTRACTORS.

This class has been assessed on the basis of information received from Departments under which they held their contracts during the year.

JEWELLERS.

The famine does not appear to have affected this class of traders, but it seems to be probable that the South African War has had some effect. They derive their supplies chiefly as follows:—From (1) the Punjab proper generally in the shape of jewellery set with precious stones of the old times, (2) from Bombay side pearls, (3) emeralds from Europe.

These jewels are chiefly sold either in European markets or to the Native States in India.

This commodity changes hands frequently between the local dealers before being exported.

Precious stones extracted from the Punjab jewellery are a great deal more profitable than supplies from elsewhere, because the Punjab seller is not at all a connoisseur or expert in these articles and always sells under the market price.

The rates of profits under this trade cannot possibly be fixed, the prices being more or less fancy ones.

In addition to these dealings in jewellery the Jauhris being generally a wealthy class having lots of cash in hand, go in for money-lending on a large scale.

In making assessments under this head the double sources of income have been taken into consideration to the proper extent. Great difficulty was felt in preparing lists of these traders as many of them carry on business in premises ostensibly occupied by others of their profession and in private dwellings, the small compass into which their stock in trade can be packed lending facilities to this procedure.

They derived special profits by the sales of pearls on account of enormous rise in their prices during the early half of the year.

DEALERS IN COUNTRY-MADE SHOES (JUTAWALAS).

An enormous trade in shoes is carried on here; the annual value of exports alone being estimated at more than 12 lakhs. They are chiefly exported to Bengal, North-Western Provinces and Hyderabad-Deccan. There had been only a nominal tax on this trade. Even the assessments now made seem to fall short of the mark.

Dealers in this trade are generally in a flourishing condition and own house property of a considerable value.

Dealers in Timber.

The increase under this head is generally based on the information received from the Forest Department in connection with the timber contracts held under it.

The dealers in fuel included in this class are chiefly those who have got large stocks of fuel in the sadr outside the Lahori Gate and who generally carry on wholesale business in fuel. However, owing to the prevailing distress much could not be expected from these men, but they have been brought on the book for the first time.

Dealers in Hides and Skins.

Dealers in this trade have unfortunately fattened on the calamity that has betaken the man and the beast during the last three or four years of continuous drought; cattle having died in thousands in all parts of the country, especially in Bangar and Hissar ilakas. The calamity has been so severe that the possessors of the skin or carcasses are said to have parted with them for a nominal price just sufficient to provide a single meal.

Under the circumstances the incomes of these dealers have risen enormously, and there can be no fear of over-assessments however high the standard may be pitched, the meanest members of the profession (such as Rangars, etc.) have made thousands.

The assessees made a compact among themselves, so that it baffled all attempts to get at any reliable estimates. Even the declaration forms were returned unfilled as a rule.

Under the circumstances I had to gather data from the Railway books which estimates are barely attempts at approximations.

The assessments are made on these estimates and general reputed incomes. At first I intended to calculate profits roughly at Rs. 4 per maund of the export or import, but on further enquiry I found that the market prices had considerably fallen in the last quarter of the year and a portion of the exports of the year was still lying unsold at Calcutta, so I calculated profits only at Rs. 2 per maund.

General Merchants.

The assessees under this class are generally Punjabi Muhammadans who in a way hold a monoply of this branch of trade. Those of them who carry on wholesale business congregate in the Sadr Bazar; while the retail dealers are spread all over the town, but are found in large numbers in the Chandni Chauk.

The trade in this is only next to the piece-goods trade. The total annual value of this trade is estimated at more than 50 lakhs.

These merchants generally invest their surplus profits in house property and the business appears to be very lucrative, as it is said that within the last 30 or 40 years they have acquired property yielding rent about rupees one lakh a year.

As very few outsiders have any knowledge of the inner workings of this trade, which jealously shuts out all attempts at acquiring any knowledge of it, I am afraid that assessments in their case are still much below the mark.

It appears that they had made a compact amongst themselves, as all of them, with the exception of two or three persons only, had returned their declaration forms unfilled under the general pretext of the *accounts being unintelligible and incomplete.*

Sattawalas or Opium-Gamblers.

This class is a veritable pest and has a very demoralizing effect generally on the lower classes of the people. Small savings, the results of economy, are staked and lost in a moment. New Satta shops are on the increase, as the business requires no capital to start with.

There are two classes of Sattawalas—one gambling on daily fluctuations of the rates of opium wired from Calcutta and the other on monthly fluctuations. Many of them are also practising rain gambling considerably. Sattawalas require to be put down with a strong hand, in order to save the poor from their clutches.

People doing this business are generally morally very low and their account books are extremely unintelligible and unreliable. On account of the extremely precarious nature of business no fair estimates of the income of this class of people could be made.

Under the circumstances the assessments in their case have been based only upon reputed incomes.

Shroffs.

The assessees under this head comprise the following classes:—

(1) Sellers of ready-made silver articles, called *Sada kar shroffs*;

(2) Lenders of money to green-grocers, called green-grocers shroffs, and

(3) Money changers and dealers in gold and silver.

The third class of these dealers have been driving a very lucrative trade in making purchases of ornaments from the famine-stricken people of Bagar and Hissar, etc., at prices almost nominal.

GRAIN MERCHANTS.

The assessees under this head deal, besides grain, in flour, atta, iron, sugar, molasses, cotton, indigo seeds, rice, etc.

Delhi, though not a grain market of such an importance as its geographical and commercial position would require, holds its own as such market on account of its requirements for local consumption and the feeding of the several flour mills. The opening of the Southern Punjab Railway has diverted a portion of the influx of grain from Delhi to stations on that line.

However the year was favourable to the importation of grain from North-Western Provinces and Bengal to supply the local and muffasil demands; Delhi supplying grain to the famine-stricken areas in Rajputana and neighbouring districts of the division; and people entered into large speculations in grain during the year and these were more profitable during the early quarters of it.

This abnormal import and export was profitable not only to those who speculated, but also to the Arties through whom the sales were effected. The dealers of Delhi did not confine their energies within the four walls of it, but made large speculations at the emporium of grain elsewhere.

The above are the chief causes of the large increase in the proposed assessments under this head.

KASERAS OR BRAZIERS.

Nothing of note can be said of this class except that some of them who had goods in store made large profits owing to the rise in prices.

PROPRIETORS OF HOUSE PROPERTY.

Two columns were provided in the preliminary lists for each ward, showing against each name whether the premises occupied were owned or rented.

This had the effect of placing within my reach many assessable incomes from house rent which heretofore were untraced.

There are reasons to believe that in some cases the amounts of rent were understated at the instance of the proprietors.

GOTAWALAS.

These include dealers in lamatta and in *Sucha* and *Jhoota* gota. This trade has naturally been a sufferer from the famine: sales went down about 50 per cent.

The dealers in this trade do not derive their supplies from the local manufacturers alone but from Bombay, Surat, Agra and Europe on a large scale. Bombay supplies *Sulma* and *Satara*, Surat the *Pemak*, Agra the lace, and Europe the lamatta and lace also.

On enquiries made it appears that the net profits in this trade are generally not less than 6½ per cent.

The increase of tax under this head is chiefly due to the discovery of many new names, to the fact that many of these traders are lending money considerably and because some of them had made large speculations in grain.

LOIAS.

This class of traders do not only deal in iron articles, but some of them have got large iron foundries of their own which turn out goods on a large scale. The principal articles manufactured at these foundries are sugarcane presses which are let on hire in the proper season at different centres commanding large irrigated areas under sugarcane in the Punjab and North-Western Provinces.

The business seems to be very lucrative, as some of the Loias rank among the richest traders in the city.

Those who had large stores of iron in any form made very large profits during the year on account of the enormous rise in the prices.

No. 7, dated 14th January 1903.

From—Captain H. S. FOX-STRANGWAYS, Deputy Commissioner, Ludhiana,
To—The Commissioner, Jullundur Division.

IN reply to your endorsement No. 306—1484, dated 4th December 1902, I have the honour to enclose a copy of a note by Mr. Wilson Johnstone, Assistant Commissioner, and to refer you to my letter No. 423, dated 27th October 1902.

2. It is difficult to form an opinion of any value as to whether a reassessment of income-tax in Ludhiana city would result in an increase to Government revenue or the reverse. I am inclined to agree with the Assistant Commissioner that, as far as the grain trade is concerned, incomes depending on this, essentially gambling industry, will fluctuate annually and a special assessment would have no permanent value. There is a large business carried on by several firms in Ludhiana as Military and Police contractors, while the trade in Ludhiana cloth is, I am given to understand, increasing. I have no doubt that if special inquiries were made into these businesses, facts would be elucidated which would not only put a fair assessment on the incomes of the bigger firms, but would be of great assistance to assessing officers in enabling them to arrive at a fair estimate of the incomes of the smaller shop-keepers engaged in these and cognate industries.

3. I can gather nothing from the octroi and income-tax demand figures for Ludhiana which are given in the margin. The former seem to bear no sort of relation to the latter, particularly when it is remembered that the income-tax figures relate to the year prior to those for which the demand is made. Still, on the whole, I am of opinion that it would be worth while, if only for the sake of abstract justice, to appoint a special officer for the revision of assessment. I think an European Assistant Commissioner should be entrusted with this duty as the town is very factious. Inexperience can be corrected but partiality cannot.

	Octroi. Rs.	*Income-tax.* Rs.
1897-98	... 61,305	15.990
1898-99	... 73,710	17,433
1899-1900	... 63.885	17,638
1900-01	... 63.805	19.694
1901-02	... 81,099	16,756

Note, dated 9th January 1903, recorded by Mr. J. WILSON JOHNSTONE, Assistant Commissioner, Ludhiana.

WITH regard to this question I have spoken with the following native gentlemen of Ludhiana :—

Ramji Das, Treasurer,

Sant Lal, Pleader,

Lala Ram Lal, corn merchant,

Lala Khushi Ram, Gabrun and country-cloth manufacturer,

Munshi Rahim Bakhsh, Army Contractor, and

Khowaja Shams-ud-din, Pashmina manufacturer.

The general idea of these gentlemen is that if taxes were reassessed the total amount would not differ greatly from what is now realized ; the difference in their opinion, if any, would probably be a slight decrease in the sum total.

In dealing with the assessees as a whole two general divisions seem to stand out (1) grain merchants and (2) others of all sorts.

The grain merchants divide up into four classes—

(*a*) Commission agents who sell on behalf of the zamindar, who make a small but sure profit.

(*b*) Commission agents who buy on behalf of outside firms (chiefly native) ; this class also make a small but sure profit.

(*c*) Those who buy grain for themselves, hold it stored to sell at a profit.

(*d*) Those who contract to supply large firms with a certain amount of grain at a certain rate by a fixed date.

It is these two latter classes that make and lose large fortunes and of late years they seem to have been hit rather badly, *e.g.*, Gurmukh Mal became bankrupt in 902, Lala Rulya Mal lost about Rs. 40,000 in 1902, Bhagwan Das lost Rs. 4,000, Diwan Kirpa Ram Rs. 15,000 and Mansa Ram some Rs. 15,000, all in 1902.

If these two latter classes are the ones which do by far the largest business so far as corn is concerned I fail to see how a re-assessment would help in their cases. Their profits and losses vary from year to year, as must be the case for the business resolves itself practically into a gamble.

The two former classes do, comparatively speaking, a very small part of the grain business, and so on the whole I don't consider that a re-assessment would be of much use in so far as the grain trade is concerned.

As regards the other class, which comprises the remaining merchants and tax-payers of all kinds, it is otherwise.

Since the last assessment in 1887 trade has in general fallen off greatly, and I think that a certain amount of injustice must exist in the individual assessment as it is at present.

There are two notable exceptions to this falling-off of trade, *viz.*, the army contractor, and the manufacturers of "Gabrun": both these trades have increased enormously in value and it would seem to be the general opinion that the various firms engaged in them are at present under-assessed.

The same would apply in a less degree to the various banias' shops in the city, the prevailing notion seeming to be that there are a considerable number who should be taxed at Rs. 10 and are not. To counteract this expected increase, it would seem that there is a class of what one might call the old Ludhiana "aristocracy" who have been going gradually from bad to worse. Such families, through marriage expenses, bad debts and keeping up appearances, are said to be gradually being ruined. These for the sake of their "izzat" refuse to appeal against their income-tax.

No. 13, dated 20th January 1903.

From—M. W. FENTON, Esquire, Deputy Commissioner, Jullundur,

To—The Commissioner, Jullundur Division.

IN reply to your endorsement No. 4102, dated 28th November 1902, I have the honour to state that there is *primâ facie* reason to believe that in Jullundur city and cantonments the assessment of income-tax is inadequate, but I doubt if any material increase can be secured unless an officer is specially deputed for its revision. A systematic inquiry and examination of accounts, octroi payment registers, cantonment house rent registers, public works payments to contractors and similar sources of information is desirable. The deputation for two months of an Extra Assistant Commissioner, who has had previous experience of this sort of work, would I believe result advantageously to Government. The method heretofore in force for assessing in cantonments is to accept the return of income drawn up by a panchayat of five resident assessees, which return purports to be nothing but a rough guess.

No. 377 G., dated 19th May 1904.

From—Major C. P. EGERTON, Deputy Commissioner, Rawalpindi,

To—The Commissioner, Rawalpindi Division.

WITH reference to the Chief Secretary to Government Punjab's letter No. 1048, dated the 28th April 1904, a copy of which was received under cover of your endorsement No. 1304 of the 3rd current, on the subject of Pandit Girdhari Lal's transfer to Sialkot on special duty on completion of the work of revising the income-tax assessments in the Rawalpindi city and cantonments, I have the honour to report that owing to unavoidable delay caused in obtaining necessary information from certain departments about the work of contractors and the general apathy on the part of most assessees, it is not likely that Pandit Girdhari Lal can possibly complete his work of assessment before the end of this month.

It is very necessary that he should remain attached to this district for at least five or six weeks after the completion of his special duty in order to note on the objections that are preferred against his assessments. I understand that this was done in Amritsar with very satisfactory results. I have the honour to request, therefore, that his services may be retained in this district until the end of June.

Report, dated 12th August 1904, by Pandit GIRDHARI LAL, Extra Assistant Commissioner, to the Deputy Commissioner, Rawalpindi.

I BEG to give below the results of the revision work done by me in connection with the income-tax assessments in Rawalpindi:—

Salaries other than those paid by Government.

Part I.—A new register of assessees, under this part, was opened and brought up to date, but as changes are generally occurring among the assessees of this class it is impossible to give the exact amount of increase effected, before the close of the year. However 25 per cent. is the lowest estimate that can safely be made of the net increase, under this part both in Murree and Rawalpindi, in case the registers are kept up to date and regular payments secured, throughout the year. This can be done by asking some of the responsible officers on the district staff to take charge of this particular branch of the work.

Companies.

Part II.—Previously there was only one entry under this part, in Murree, *i.e.*, "The Murree Brewery Company." But this year the name of "The Imperial Carrying Company" has also been brought on the list in Rawalpindi and assessed to Rs. 615-10-5 on a declared net profit of Rs. 23,641. Besides this there is another new company working under the name of "The Eclipse Carrying Company" which has only lately been started and the name of this, too, has been entered in the register, so that it may not be lost sight of next year.

Part III.—The following table will show the figures of the present year as compared with those of the last year:—

Miscellaneous incomes.

	1903-04.		1904-05.		INCREASE.	
	Number of assessees.	Amount of income-tax.	Number of assessees.	Amount of income-tax.	Number of assessees.	Amount of income-tax.
		Rs.		Rs.		Rs.
Rawalpindi City	157	11,281	228	14,009	+ 71	+ 2,728
Ditto Cantonment ...	75	6,124	106	9,551	+ 31	+ 3,427
Murree Civil Station ...	15	2,416	27	3,573	+ 12	+ 1,157
Total ...	247	19,821	361	27,133	+ 114	+ 7,312

Thus the total increase under Part IV comes up to 37 per cent. nearly.

Among the 114 persons *newly* assessed this year the largest sum assessed in one case is Rs. 260-6-8, while among the old assessees the largest increase made is from Rs. 20 to Rs. 125-13-4, which is more than six times the old assessment. Most of the increase has come from amongst the contractors, certain big house proprietors, merchants and money-lenders. The ordinary bazar shop-keepers had, however, suffered more or less on account of the prevalence of plague during the past year and expected to show better results next year.

While on this subject, I would also beg to note that during my enquiries I had eventually come to know that certain Military Officers stationed in Rawalpindi cantonments were in receipt of large private incomes from Europe and under your orders blank declaration forms were sent to them through the Cantonment Magistrate. The replies received from them had brought to light 13 cases, in which the sums received exceeded the minimum amount taxable and the total assessments in those cases had come up to a little over Rs. 1,100. So far as I am aware, this was quite a new source and therefore seemed to deserve a special mention in the annual report.

Objections.

Objection cases.—The unsatisfactory feature, which had hitherto existed in the assessment of income tax and which had been the subject of special remarks year after year was the unusually large number of objections instituted and the large amount of remissions that was made thereon every year. Special efforts were made to avoid this evil by making my enquiries in each case as complete and thorough as was possible under the existing circumstances, and the result of it was that notwithstanding an increase of 37 per cent. instead of 134 objections and a total remission of Rs. 6,410 in the last year, only 64 objections had been instituted this year out of which 55 had been finally decided up to the last week and the amount remitted therein was Rs. 255 only. Even taking into consideration the few cases, that are still pending, the total amount of remissions is not likely to exceed four or five hundred rupees, which would be less than $\frac{1}{12}$th of the amount remitted last year.

The results shown above, I respectfully venture to hope, will be considered as satisfactory.

Report, dated 20th August 1904, by Lala LACHHMI NARAIN, Extra Assistant Commissioner, on special duty to assess income-tax in the Ferozepore District.

THE Government having placed me on special duty to revise the income-tax assessment of both the city and the cantonment of Ferozepore, I beg to bring to your kind notice the result of my proceedings as follows:—

I visited every shop to enquire about the position of every shop, the particulars about assessees and the amount of their business. I examined several accounts and gave opportunities to the people to urge any objections they had to make. I have also consulted, where it was possible, the octroi registers, registered deeds and the stamp writers' books. The statements of most of the people were recorded. I also found as a fact that in several instances either the previous assessment was low, that is, not in accordance with the income of the people or they had escaped assessment altogether. I give below briefly an account of the cantonment and city separately:—

Cantonment.—Here I found that note-book is not properly kept, necessary particulars likely to prove useful not being recorded. In my opinion such particulars for at least 10 years should be recorded therein. I also find that assessment was formerly made in accordance with the recommendations of certain persons and was not properly scrutinised. I doubt if such assessment can be regarded as fair.

The assessment for the past and present year stands as below :—

	Rs.	A.	P.
1903-04	2,567	15	5
1904-05	1,903	9	9

The number of assessees is 99, as follows :—

	Rs.	A.	P.
5 as before.			
51 new assessed at	1,634	15	4
35 whose tax increased	3,877	13	8
8 whose tax reduced or remitted	177	2	8
Decrease	177	2	8
Increase	5,512	13	0

City.—The assessment here was also overhauled by me. I had to contend here against certain obstacles, as the people combined to avoid the just dues of Government. They held meetings at different places for the purpose, but were not successful in their efforts. The result of the assessment is as under :—

	Rs.	A.	P.
1903-04	10,034	14	9
1904-05	13,218	0	0
Decrease	754	1	0
Increase	3,937	2	3

The number of assessees is 205, as below :—

71 as before.			
62 new assessed at	1,681	10	9
47 whose tax increased	2,255	8	3
25 whose tax reduced or remitted	754	1	0

Total of Cantonment and City—

Assessment for 1903-04	12,602	14	2
Assessment for 1904-05	21,121	9	9
Decrease	931	3	8
Increase	9,449	15	3

The number of assessees is 304, as follows :—

76 as before.			
113 new assessed at	3,316	9	4
82 whose tax increased	6,133	5	11
33 whose tax reduced or remitted	931	3	8

I have recorded my notes in a separate book as regards assessees which should I think be treated as confidential until all objections are disposed of. Whenever it is found necessary to make an enquiry the matter should be referred to Mirza Zafar Ali, Extra Assistant Commissioner, whose local knowledge is extensive. Lala Ramji Lal, Lala Harnarain and Lala Chajju Mal are best men to examine the accounts if required.

Lala Ramji Lal has rendered a most material aid both in the city and cantonment and deserves special recognition. He pays to Government a tax of Rs. 169-4-4, including Lyallpur.

Chaudhri Uttam Chand, son of Lala Chuni Lal, Honorary Magistrate, has also been very useful to me in connection with city assessment.

Report, dated 26th November 1904, *àpropos*. Income-Tax Assessment, from Lala LACHHMI NARAIN, Extra Assistant Commissioner, on special duty, to the Deputy Commissioner, Sialkot.

I HAVE the honour to bring to your kind notice that I was deputed for income-tax assessment work in the districts of Ferozepore and Sialkot. Having finished my work in Ferozepore, I returned to Sialkot. The state of things in this district is curious, people having resorted to many subterfuges to escape the tax, some of which I mention below :—

A.—Send memorials against assessors to frighten them.

B.—Send adverse letters to newspapers.

C.—Have different sets of books kept in the name of different members of the family.

D.—Get bonds written, some in their own names and mostly in those of their relatives, not producing the latter when asked for. For instance, I brought to light, through the registers of bond-writers, bonds worth Rs. 26,000 in the name of a woman while her husband, having produced a few bonds written in his own name, had asked for exemption.

E.—The money-lenders lend money generally on the security of ornaments. These transactions are concealed to escape assessment, and it is very difficult to discover them. In short, the books, &c., are not generally reliable. The people are accustomed to make objections, and in order to succeed they try their best to get their friends appointed as local commissioners to inspect their accounts,

I visited and inspected each shop to find out the particulars about assessees and the amount of their business. I examined several accounts and gave opportunities to the people to urge any objections they had to make. I have consulted, where it was possible, the octroi registers, registered deeds and the stamp-writers' books and found as a fact that in several instances either the assessment previously made was low, that is, not in accordance with the income of the people or they had escaped assessment altogether. The result of my assessment is as follows :—

	Rs.
Town.	
1903-04	7,342
1904-05	17,007
Decrease	427
Increase	10,092
Cantonment.	
1903-04	2,354
1904-05	4,570
Decrease	320
Increase	2,536
Total of City and Cantonment.	
1903-04	9,696
1904-05	21,577
Decrease	747
Increase	12,628

In cantonment assessment is made through a few persons appointed for the purpose. The people have ground of complaining as regards partiality. It would be better, I think, if the duty were entrusted to the Tahsildar.

I have written my notes in a separate book, which should be regarded as confidential till the objections are disposed of. As I have made separate file for each case, I hope my notes will be enough for disposing of the objections and there will be little need for further enquiry. If necessary, in any case, an experienced officer might be appointed to go into the matter very carefully.

I did not pay much attention to those who could pay small amount of tax. I have confined my attention to bring under the Income-tax Act, persons who had escaped by some trick or other means. Of the 59 men assessed to Rs. 20 each, 33 admitted their liability.

Bhai Nihal Singh, Superintendent of Octroi Department, helped me by giving information pertaining to his department, as he is well acquainted with the city : his knowledge has been very useful to me.

Baisakhi Shah, son of Ganga Shah, Bhabra, is a good accountant. He has rendered valuable help in the examination of accounts. He has good testimonials and deserves some recognition in order that others may receive encouragement.

I have rarely come across an abler man than M. Ahmad Din. He is well up in English and Persian, and is a very honest and hard-working official. He has worked as my reader and I would be glad to see him permanently appointed as reader. He is well acquainted with the circumstances of every assessee, and he will be of great use in laying files before the officer who is entrusted with the work of hearing objections.

Report, dated 11th September 1903, by M. GHAZANFAR ALI on the revision of Income-Tax Assessment in the Jullundur City and Cantonments.

I HAVE revised the income-tax assessments of the city and cantonment of Jullundur and beg to put up herewith lists of assessees for the year 1903-04.

The municipality of Jullundur includes the three basties of Ghuzan, Shekhan and Danish nandan. Assessments of these three bastis had already been announced and objections decided, so that I had to deal with the Jullundur city alone, having a population of 39,915.

The final demand of the city for the year 1902-03 was Rs. 7,035. Deducting Rs. 1,320 on account of the assessees having an income of less than Rs. 1,000, the demand was Rs. 5,715. The assessments as now revised have risen to Rs. 8,952, *i.e*, by 57 per cent.

In the cantonment the final demand last year was Rs. 1,343 after deducting Rs. 620 on account of persons paying an income-tax of Rs. 10 or Rs. 15. It has now been raised to Rs. 2,307, an increase of 72 per cent.

The causes of this increase are neither the increased prosperity of the tax-payers nor the flourishing of any particular trade. It is due to the fact that certain classes were under-assessed and some of the well-to-do persons had somehow escaped notice.

The revised assessments may fall short of the estimate if the tests prescribed by Mr. Parker in his final report of 1888 were applied, but the fact is that Jullundur has much more of agricultural population than the other big cities of the province. It has an area of 74,652 *kanals*, paying a land revenue of Rs. 12,873, and there are no less than 5,783 agriculturists amongst its residents. A majority of the well-to-do classes are either retired officials or are still in Government service. There is only one factory, called Bhagat Mills, producing ice, flour, oils, &c. This has only recently been started and is no doubt making slow progress. The owner of the mills is of course a man of wealth, but lacks in enterprise.

Trade in grain, the main support of a majority of the traders here, has suffered during the past few years owing to the stationary character of the prices. Besides, the Phagwara market in the Kapurthala State, only 12 miles from Jullundur, has of late monopolized almost all the grain trade of a part of the Hoshiarpur and Ferozepore districts and the whole of the Nawashar tahsil of this district

Business in sugar stills has entirely gone down since the sugar of foreign import has found favour with the consumers, the latter being cheap and more refined.

At one time Jullundur alone commanded the silk trade of a greater part of the province The trade has been dwindling for the last five or six years. Many of the silk-dyers are said to have left the place for Amritsar and others complain for want of labour.

The introduction of the Land Alienation Act has naturally deprived the Sahukars of a very large portion of their income from interest on loans to zamindars. It may be urged that the capital of the money-lending classes must have been diverted from dealings in land to trade or other profitable business, thus increasing the amount of assessable income, but the fact is that no trade or business could be so much paying and safe as money dealing with zamindars used to be before the Act was brought in force. The high rates of interest and the ways of working them out, with the ultimate prospect of securing rights in land, persuaded every one who could manage to have a few rupees to lend them on interest to the first zamindar who could be caught hold of. Those conditions no longer exist and the Sahukara income must decrease.

The prevalence of plague has also to a certain extent diminished business generally.

The following figures of the octroi income, which have been taken from the municipal office, show that the trade of the city has made no significant progress during the past five years:—

	Rs.
1898-99	46,917
1899-1900	44,659
1900-01	42,894
1901-02	50,565
1902-03	47,731

The above remarks hold good in the case of the cantonment. The troops are generally away during the summer, and in the past winter there were only a few troops here. The business has of late gone down and a mere glance at the Sadr bazar would show that the population is not as well off as in some of the cantonments of the province.

Taking all these circumstances into consideration the present assessments seem to me to be fair in every way, and if the present state of things continues there are very little prospects of a further increase in the near future.

Mode of assessment.

First of all a list of persons carrying on business or residing in the city and the cantonment, who on a summary enquiry appeared to have income approaching the standard of Rs. 1,000, was prepared in consultation with the octroi superintendent, members of the committee and bazar chaudhri. This was compared with the list of assessees of the last year in order to see that none of the old assessees had escaped notice. Enquiries were then made with regard to the income of each assessee from such persons who were supposed to be acquainted with the business to which the assessee belonged.

Forms of declaration, under section 18 of Act II of 1886, were served on all the legal practitioners and other respectable persons, about 20 per cent. of whom failed to return the forms duly filled in. The delinquents were generally such persons who were under-assessed and always try to avoid proper assessment.

Information as to the profits of contractors, &c., working in the various departments of Government was obtained from the officers in charge of those departments.

Octroi information was generally found to be the most useful material to work upon. The register of rents kept up in the office of the Cantonment Magistrate proved useful only in a few cases. It shows simply the maximum amount of rent a house could fetch.

Many of the houses are let on lower rents than those shown in the register and some remain unoccupied throughout the year, especially during the summer.

Having got possession of all the information above referred to, the assessees were summoned and heard one by one Almost all the trading classes declared no income in the first instance, but by and by many of them yielded. Where necessary the account books were examined personally in some, while in a majority of cases the accounts were checked through experts. So far as I have been able to see the inspection of account books has not resulted in helping towards arriving at the correct conclusion. Many of the accounts do not show the actual gain or loss, the only information available being the sale-proceeds and nothing else. In some cases the accounts are not regularly kept. It was noticed in the course of enquiries that in the account books of some of the well-known firms several items of income, which were otherwise proved to have accrued to them, were not forthcoming.

When once in possession of a correct estimate of income, the best way of coming to a decision as to the assessment in many cases was found to be a sort of compromise with the assessees.

My chief aim while raising the assessments has been to do so with the consent of the assessees.

No doubt it is a troublesome job to bring round the assessees to a reasonable amount. It is just like striking a bargain after our native fashion : the seller starting with Rs. 100 and the buyer with Rs. 20 both eventually agreeing to Rs. 60. One has to dicuss the thing patiently for a long time and the whole affair looks like unofficial, but one great advantage of this arrangement should, I think, outweigh all these considerations. The assessees do not at all feel the assessment so hard as they would otherwise do, and in many cases I have been able to assess them with larger amounts than I would have been able to assess by any other means. Evidently nobody would be willing to pay a tax, but the number of objections must necessarily be small where the assessees have already declared their acquiescence in the assessment. Of course those who hitherto managed to escape proper assessment or think their position too high to be called upon to pay the tax are sure to file the objections.

Results.

As already stated, the amount of income-tax has been raised from Rs. 5,715 to Rs. 8,952 in the city and from Rs. 1,343 to Rs. 2,307 in the cantonment.

The following statement shows the results of the revised assessment as compared with that of the last year :—

	Population.	Final demand of 1902-03.			Demand of 1903-04 as now proposed.		
		Number of assessees	Amount of tax.	Incidence per head of population.	Number of assessees.	Amount of tax.	Incidence per head of population.
			Rs.	Rs. A P.		Rs.	Rs. A. P.
Jullundur City ...	39,915	111	5,715	0 2 3½	179	8,952	0 3 7
Jullundur Cantonment ...	13,092*	37	1,343	0 1 7½	60	2,307	0 2 10

*Apparently includes the troops in the cantonment on the 1st January 1901. The numbers have now decreased.

In 1902-03 there were 111 assessees in the city and 66 in the cantonment who paid an income-tax of Rs. 10 and 15. These have been omitted in the above calculations.

The following figures show the number of assessees belonging to the different classes :

Year.	Number of assessees assessed at Rs. 20.	Number of assessees assessed at Rs. 28.	Number of assessees assessed at Rs. 35.	Number of assessees assessed at Rs. 42.	Number of assessees with income of Rs 2,000 or more.	Total number of assessees.
			Jullundur city.			
1902-03	41	32	6	6	26	111
1903-04	70	32	19	16	42	179
			Jullundur Cantonment.			
1902-03	10	14	3	3	7	37
1903-04	30	7	9	2	12	60

Detailed accounts of each of the assessees will be found in the note-books forwarded herewith.

These notes will I hope supply enough of material for deciding petitions of objections.

I beg to add, for the information of Deputy Commissioner, that Lala Agia Ram, Octroi Superintendent, gave me reliable information both in the city and the cantonment. His vast knowledge of the people was of great use to me and he assisted me in the work, facing the displeasure of many assessees including some men of influence. He is thoroughly honest and may well be relied upon in a work of this nature.

Report, dated 15th October 1903, by M. Ghazanfar Ali on the revision of Assessment of Income-Tax in the Ludhiana City.

I have had to bring this work to a close a little earlier than I expected. Having received orders to proceed to Mianwali as soon as possible I thought it proper to complete the work with as little delay as I possibly could. By leaving it incomplete at the last stage all the time and labour spent would have been wasted and the materials that I had collected would have been of little use to any one who started afresh. The work has taken me about one month in all. Unlike Jullundur I found Ludhiana was a difficult place to deal with. It is a big grain market and one of the centres of trade in country cloth. A large number of

traders have cropped up who live merely on the art of advertising. They have no capital of their own and have nothing at all in stock, but go on advertising freely in the disguise of companies of various addresses. It is difficult to trace some of them except with the aid of the post office where alone they are known by the different appellations assumed by them. The outside public, unaware of these facts, send orders to the so-called firms, the managers of which on receipt of these orders buy things from the bazar and pack them off V. P. P. Such firms when called upon to show their accounts for income-tax purposes have one and the same answer to make, that they have not got anything.

The accounts of firms which carry on business regularly are also unreliable. I have ascertained that some of the shop-keepers have two sets of accounts, especially the "Arhtis", who will be dealt with later on.

Again the leading men of this place do not like to give any material help unless they can see that their personal wishes will be carried out. They are all personally concerned in the affair, and while on the one hand they try to save themselves and their party from a proper taxation, on the other they try to injure the opponent party by giving exaggerated accounts of income. In a place like this it is quite unsafe to get the work of taxation done through the help of the leading residents of the city as is generally done in the other places. In my opinion the best course here is to deal with the assessees direct, and in my present revision of assessment I have followed the same course.

I have prepared three registers A, B and C Registers A and B are the assessment registers in which all the information received from time to time has been written up together with my proposals in each case. These registers should be kept confidential, and in order to make this practicable I have prepared register C, showing the increase or decrease of assessment now proposed in the case of each assessee. It also contains a full copy of my proposals in the original registers above alluded to and will suffice for all official purposes. Where the Collector feels doubtful as to any particular case he may consult the original registers, but I request that these should not be made public. Wha I mean to say is that the assessees should not be allowed to know their contents and to apply for copies. In order that they may be useful to the Collector when deciding objections, I have written my proposals in English. It would be worth while noting that some of the well-known persons here have hitherto escaped any assessment of income-tax. The name of Maulvi Muhammad Hassan, Honorary Magistrate, may be mentioned as one of the instances.

I find that the legal practitioners have succeeded in evading proper assessment ever since the Income-Tax Act was brought into force. I do not say their income has increased of late. It has gone down generally, but the fact is that from the very beginning they have not been made to pay exactly what they ought to have paid. The assessing officers, ever conscious of the fact that this is the only class that should for obvious reasons be kept quiet, have never tried to handle them properly and the result is that even with their present incomes they are under-assessed. I sent to them forms of declaration, the first thing that I did on commencing my work here. Excepting four, all of them refused to fill up the forms. I went to the Bar Room and requested them to give a correct account of their income, but they failed to do so, apparently because the advantages of undertaxation that they have long enjoyed would not let them shrink. They unanimously state that they have no regular accounts. Who would believe this to be true? They have to give receipts to their clients and have to charge them back fees. How could they possibly do so without keeping up-to-date accounts? The fact is that they do not like to be properly taxed and at the same time do not prefer to undertake the responsibility of signing a declaration.

Of the other classes, grain and cloth merchants form the main portion of the tax-payers. The former may be divided into two classes. Those who buy and sell grain on their own account or have contracts with big firms for supply of a certain quantity of grain at certain fixed rates. The income of these traders is always fluctuating They grow rich all of a sudden, but the fall is always instantaneous. The other class of grain-dealers are called "Arhtis." These are a sort of brokers and have no gains or losses of their own. Their income, which depends on the scale of the bargains struck, is sure. They have no chances of losing. Besides getting the fixed amount of percentage they are accustomed to play tricks with simple zamindars who bring cart-loads of corn to be sold through them. Supposing a zamindar brings one cart-load of wheat to be sold here and the usual rates are Rs. 2 per maund, the Arhti arranges to sell it to a grain merchant at Rs. 1-15-0 per maund, but tells the zamindar that he has managed to sell at Rs. 1-14-0 per maund. The bargain is struck and the Arhti weighs the grain. The zamindar left his home with 60 maunds of wheat, but it turns out to be 50 maunds. This is how the Arhtis make enormous profits. In arriving at an estimate of their income, I have taken into consideration the number of cart and camel loads, etc., on which they pay octroi duty, but the income derived by the unfair means mentioned above is out of the question. One has no means of coming to a definite conclusion about it.

As for cloth merchants, the octroi figures have been of great use to me, but these alone would not suffice. The exports are nowhere shown in our papers and figures relating to the cloth bought and sold locally cannot be ascertained except from other sources of information. Trade in grain has suffered to some extent owing to the opening of the Dhuri Railway Line

The Ferozepore Railway Line when constructed will be another blow to the grain dealers here. Pashmina trade has gone down entirely. Karchob industries were started here some time ago, but have proved a failure not being able to compete with the work turned out by machines. Embroidery has no doubt suffered a good deal. Weaving of cotton cloth is still holding its own, because Ludhiana cloth found favour with the outside public and it is sold in almost every bazar of the province. Trade in shoe-making is now-a-days prospering. Country shoes made in Ludhiana are sent out to Madras, Burma and other places. Net profits of dealers in shoes at present are Rs. 12-8-0 per cent.

In all 509 persons were dealt with by me. Of these the income of 215 has not been proved to be assessable, being less than Rs. 1,000 per annum. Register C will show that as many as 74 new names have been brought on the list of assessees. Some of these new assessees have been found to have an income of Rs. 5,000 a year.

The assessment as now proposed comes up to Rs. 13,278-4-1 showing an increase of Rs. 3,108-9-3, *i.e.*, 30·5 per cent. on the final demand of 1903-04 : an increase of Rs. 732-3-10 *is represented by the legal practitioners'* class alone, including petition-writers only two of whom have been found to be assessable at Rs. 20 each. The assessments now proposed shall take effect from the next year 1904-05.

The following figures will show the proposed assessment as compared with the existing demand of 1903-04 :—

Year.	Population.	Number of assessees with an income of Rs. 1,000 to Rs. 1,999.	Number of assessees with an income of Rs. 2,000 and upwards.	Amount of income-tax.	Incidence per head of population.
				Rs. A. P.	Rs. A. P.
1903-04	48,059	141	74	10,169 10 10	0 3 4
Revised assessment proposed for 1904-05.	48,059	187	97	13,278 4 1	0 4 5

According to the revised assessment Ludhiana will stand next to the Lahore City and equal to the Sialkot Cantonment in point of incidence per head of population.

Seventy-four new names have been brought on the list of assessees. Six old assessees had to be struck out. In 86 the former assessments have been held good and in 124 cases alterations had to be made.

So far as possible I have tried to come to an understanding with the assessees in order to reduce the number of objections, and about 100 have agreed to the revised assessments. But the variations in the number of objections depend mainly upon circumstances other than mere propriety or otherwise of the assessment. The assessees generally act according to the results that they anticipate in their own imagination. There are officers who are inclined to be lenient; others are quite the reverse. On going through a statement prepared in the district office, I find that in the current year one officer, dealing with the income-tax objections of the Ludhiana City, accepted 22 out of 24, *i. e.*, 91 per cent., and another only 5 out of 35 or 14 per cent. These figures speak for themselves. It is clear that the materials on which the assessments objected to were based were the same in all the cases, but the difference in the results was great. There could be no reasonable explanation of this except that the objections fell into different hands.

Extract from a letter No. 506, dated 10th August 1903, from R. C. Bolster, Esquire, Junior Secretary to the Financial Commissioner, Punjab, to the Chief Secretary to Government, Punjab.

* * * * * * *

Objections in the cases of the larger incomes are heard by the Deputy Commissioners themselves. The Deputy Commissioner of Delhi (Mr. Humphreys) writes : "It has been my practice to hear all objections myself in the case of incomes over Rs. 8,000. The rest are then divided up among the officers available to hear them according to a schedule drawn up beforehand

As a rule in the case of the larger assessees under Part IV who make objections, they agree to produce their account books which are then examined on commission by experts, of whom I keep a list of approved persons."

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No. 116 I. T., dated 17th March 1909.

From—R. HUMPHREYS, Esquire, I.C.S., Deputy Commissioner, Delhi,

To—The Commissioner, Delhi Division.

I HAVE the honour to address you on the subject of the income-tax assessments in Delhi City. In 1900 Lala Mul Raj, Extra Assistant Commissioner, was placed on special duty for their detailed revision,—*vide* correspondence ending with Punjab Government letter No. 692, dated the 24th April 1900, communicated with your endorsement No. 537, dated the 2nd May 1900. That was nine years ago, and since then the annual assessments under section 17 of the Act have been entrusted for enquiry and report to one of the Extra Assistant Commissioners on the district staff, on whose reports the Collector passes orders in each case as to the amount to be assessed. Sometimes this works well, sometimes indifferently, according to the capacity of the Extra Assistant Commissioner available and other circumstances, for it is by no means every officer who can successfully perform this work. Last year we were particularly unfortunate as Bhai Umrao Singh, who was in charge of the work, was transferred in the middle, and the only man I had available to finish it was Lala Lal Singh, an Extra Assistant Commissioner on training. It is time that the assessments should be again carefully overhauled and revised and new tables of average net profits drawn up for the various trades. I think it is hardly necessary to ask for the deputation of an Extra Assistant Commissioner on special duty for the purpose, and what I propose is that it should be entrusted to Pandit Amir Singh who is at present my Revenue Extra Assistant Commissioner. He ought to be able to do it well as he has the requisite experience and aptitude for it. If this arrangement is made, however, it would be necessary to excuse him from touring for four months at least which would begin after the rabi girdawari is over. I see no objection to this, as owing to settlement being in progress it is not so essential that he should be constantly on tour. He would do the income-tax work in addition to his other duties. I have the honour to recommend that my proposal may be approved and the sanction of the Financial Commissioner obtained to the obligation to tour being waived for four months. Pandit Amir Singh would of course be available to go out occasionally into the district for special purposes, *e.g.*, inspection of sites in revenue judicial cases or land acquisition cases.

Extract from the Government Review of the Income-Tax Report for the three years, 1908-09 to 1910-11, Punjab Government, No. 2407 S., dated 26th September 1911.

* * * * * *

4. Apart from the above matter the Lieutenant-Governor agrees that there are grounds for ascribing the unsatisfactory results in part to defective methods of assessment. So far as this is the case, it should not be difficult to find a remedy, and His Honour will be prepared to consider proposals for the carrying out of special assessments in cases where there are reasonable grounds for believing that the loss of income to Government is serious. Special enquiries might be made in the first instance in the towns of Lahore, Multan and Lyallpur. His Honour, however, considers that District Officers can effect much by insisting on more vigorous and thorough investigation on the part of the ordinary assessing agency.

* * * * * *

Extract paragraphs 3 to 5 from a letter No. 4918, dated 28th September 1912, from Lieutenant-Colonel F. POPHAM YOUNG, C.I.E., I.A., Offg. Commissioner, Rawalpindi Division, to the Senior Secretary to the Financial Commissioners, Punjab.

* * * * * *

3. On the basis of those estimates it will be seen that the special enquiries in this division would take eighteen months or two years.

I do not think that in order to effect the object, which Government has in view, it will be necessary to depute an officer for so long a period as this.

It seems to me that the enquiries should be conducted on more general lines than those which appear to be contemplated by the District Officers whom I have consulted. No doubt the special officer would do well to make a detailed examination of the business of some of the larger tax-payers in all important trade centres, and to frame individual assessments in a few cases. But I think that his prime function should be to ascertain, as far as

possible, the volume of trade conducted in each district, and in each trade centre. After collecting all available statistics from the railway and municipal authorities he should endeavour to report as to the nature and extent of the different classes of trade or business carried on in the different localities with which he would deal. Thus he might ascertain that the turn-over of the piece-goods, or the hardware business, in Rawalpindi amounted to such and such a figure, that the collective profits might be estimated at so much, and that the present income-tax was assessed on a total income of so much. The number of persons engaged in these businesses, assessed or unassessed, would then be considered, and conclusions arrived at as to the possibilities of enhancement.

In fact the volume and the collective profits of trade in each district, then in each town and large village, and finally in each rural tract containing no centres of industry, should first be ascertained with reference to each main class of business or source of profit. It would be for the local assessing officers to revise the taxes of individual assessees in the light of information thus collected. Even if the special enquiries contemplated are conducted on lines such as these I think that it would, perhaps, take a specially deputed officer a year to complete for the whole division the series of reports which would be required.

4. The idea which I would present for the consideration of Government then is, that the process in the enquiries to be prosecuted throughout the province should be analytic rather than synthetic. At present we arrive at provincial figures by adding together the isolated assessments made independently in every town and considerable villages throughout the province. I think that now an endeavour might be made to start by considering first the trade of the province in bulk. This would then be split up in two ways,—firstly with reference to localities (working down from divisions to districts, from districts to trade centres and to rural tracts which could be conveniently grouped together), and secondly with reference to the various classes of trade or business in which assessees of income-tax are engaged. Eventually we might thus arrive at a demand for each town or tract; and we should then proceed to examine present payments with reference to this theoretical demand. From our estimated profits for the town or tract—whatever the unit might be— we should have to deduct the profits earned by the small men in each class of business. It would be useful to make an estimate of the collective amount of these; or the profits of assessees and non-assessees added together should equal our estimate of the total profits of all business conducted within the tract, town, district, division and province.

If these ideas commend themselves to the Punjab Government it would be necessary that before commencing the local enquiries a review of the trade and business of the whole Punjab should be made. Whether this is feasible or not I am, in the absence of statistical information, unable to say.

5. I may mention, in this connection, that before leaving the Sialkot district I made an attempt at arriving at *group* assessments somewhat on the lines indicated. Thus I made a calculation (necessarily very rough) of the gross profits of the legal practitioners, of the cloth-sellers, of the grain-dealers, of the bankers and money lenders, etc., of Sialkot, and before taxing individuals made a group assessment. In this way I was able to secure, in the *bachh* or distribution of my group assessment, the co-operation of the assessees. I am not able to say whether this system of assessment is likely to be permanently successful, but so far as my small experiment went, it seemed that we were likely to be able to increase the assessments in Sialkot City materially, and at the same time to reduce largely, if not to escape entirely, objections on the part of individuals.

Note, dated 13th November 1912, recorded by Sir L. W. DANE, Lieutenant-Governor of the Punjab.

I am not sure that a report of the actual profits of trade of say Lyallpur might not be a good way of checking the actual income-tax assessments there, and this might be tried in one or two places to see if we can arrive at all at what the amount of such trade is and the probable profits.

Orders by Lieutenant-Colonel M. DOUGLAS, Deputy Commissioner, Lyallpur.

LALA HAR NARAIN has joined this district with orders to report on the state of the income-tax. He has been given no instructions of any kind. He should first report generally on the progress of the tax in relation to local development since the district was founded.

The demands for the last three years have been as follows :—

	Rs.
1909-10	28,286
1910-11	34,244
1911-12	44,912

and the main question at issue is whether the last figure can bear enhancement or not. The Punjab Government apparently are under the impression that it is low.

It should be remembered that the large grain firms are assessed in Karachi and elsewhere, and that money-lenders do not prosper here. There is no general indebtedness, and there are several agricultural banks.

Lala Har Narain had better first commence with Lyallpur town, and inspect the accounts of the leading firms. The incomes of the grain agents in the mandi should be examined in relation to the export figures of grain available from the North-Western Railway. He should then proceed to other towns and finally tour in each tahsil.

We can generally ascertain the value of the gross dealings effected by shopkeepers, but it is difficult to assess the net profit per rupee It would be useful if Lala Har Narain could give us some information on this point in regard to each of the various traders, iron merchants, piece-goods, &c. Out in the district the assessees are mostly men who combine a small shop with speculations in grain or cotton and a certain amount of usury. It is very difficult to assess the incomes of these men, as they often buy in advance, their operations depend on the rise and fall of prices and their accounts are unreliable.

In addition to the usual tahsil reports there are confidential notes maintained in English with regard to each assessee above Rs. 2,000. I should be obliged if Lala Har Narain would write up these notes in view of the further information which he will doubtless collect.

Assessment revision of the district of Lyallpur for 1912-13 by Lala HAR NARAIN.

THE district of Lyallpur was formed in 1904. The figures of initial and final demands of income tax have been as below :—

Year.	*Initial demand.* Rs.	*Final demand.* Rs.
1905-06	19,694	16,469
1906-07	19,242	17,317
1907-08	19,399	17,118
1908-09	26,591	23,593
1909-10	31,995	27,127
1910-11	34,863	32,517
1911-12	44,464	39,435
1912-13	51,721	...

The population of the district of Lyallpur has been :—

1906-07	597,917
1910-11	857,711

The figures of income-tax show that there has been an increase almost every year and the amount is more than double of what it was in 1907-08.

The point at issue is whether the last year's figure can bear enhancement. The Punjab Government is under the impression that this figure is low and therefore an officer has been specially deputed to enquire into the matter and report fully on the state of income-tax in the district of Lyallpur.

I attach the instructions issued to me by the Collector.

I commenced my work in the town of Lyallpur first. I got a list of all the shops in every bazar and mandi prepared whether the income of the shop was taxable or not. There are eight principal bazars. One Gol bazar, two grain markets and one Lakar mandi. In the note book I have given a plan of the town and a brief note regarding each and every shop wherever it is situated, and whether the income of the shop is taxable or not.

As far as I have been able to ascertain I think that no shop which carries on any sort of business has escaped finding a place in the note-book.

The last pages contain the names of all miscellaneous house proprietors, kiln owners, brokers and proprietors of cotton presses and factories (a separate list will be found,—(*vide* Appendix A)*. Volume 2 contains a list of legal practitioners and petition writers.

*Not printed.

I have examined the accounts of leading native grain merchants in the two mandis and after satisfying myself by reliable means I have assessed their incomes.

Before the last year there was surely prosperous business in Lyallpur, but this year I notice it has been on the decline and the following have been the chief causes :—

(a) In 1911 a new mandi was opened at Tandlianwala and all grain, cotton and toria which was hitherto sent to Lyallpur and Gojra mandis from the villages on the banks of the river Ravi is sent direct to Tandlianwala mandi.

(*b*) The mandi at Jaranwala has harder hit Lyallpur. Tandlianwala has attracted trade but not much. Prior to May 23rd, 1911, the Jaranwala mandi had to send its traffic *viâ* Chichoki Malian to Sangla. It took longer time and had a larger freight to pay. It paid dealers to bring their grain to Lyallpur. With the opening of the through traffic to Karachi *viâ* Shorkot Road Jaranwala has affected Lyallpur considerably.

(NOTE.—I believe the remarks (*a*) and (*b*) would not affect the district as a whole as any deficiency of trade in Lyallpur will be compensated elsewhere).

(*c*) The produce of cotton during the past year has been about one-third of what it was in the year before the last. Cotton dealers and cotton presses have had comparatively lesser business. The area under sugar cane was less than half of the last year's figure—18,000 acres as against 38,000 acres during 1910-11.

The rate of wheat and other grain has been steady during the year with no great variations or fluctuations leading to large speculative business giving rise to good profits or heavy losses.

Business other than grain has also suffered owing to paucity of money in the market as about 52 lakhs of rupees were paid as malikana for the proprietary rights which the Government has been pleased to grant to agriculturists during the year.

Notwithstanding the slack year (as far as trade is concerned) there has not been much difference between the initial demands of the year 1911-12 and 1912-13. I have been able to find about sixty new shops which had escaped taxation altogether in previous years or their incomes have only now become taxable.

I beg to add that I have given every consideration to the representations of the shopkeepers and have thoroughly examined their accounts which would, I believe, result in smaller number of objections this year.

As Government is aware business in grain is mostly done by big English firms (*vide* list Appendix B* and list of exports for 1911-12, Appendix C* who pay income-tax at the head-quarters of their firms. It is difficult to find out what their profits have been during the year. Letters were written to the managers of the firms in the district, and they have all replied to say that they cannot give the required information as they do not keep separate accounts for Lyallpur, and that they have entered into agreements with the Collectors of income tax at Karachi and Bombay for the composition of income tax on their total earnings for five years from 1910-11 to 1914-15.

*Not printed.

In the case of native merchants one difficulty has been that big traders in other districts have opened branch shops of their business in the district of Lyallpur. The income of these branch shops as noted below is communicated to the Collectors of head-quarter shop and in this way tax on profits made in Lyallpur goes to other districts.

The following has been the income of such branch shops in the three tahsils of this district :—

	Rs.
Lyallpur	1,04,810
Toba Tek Singh	1,80,000
Samundri	20,000
Total ...	3,04,810

As remarked by Deputy Commissioner it is easy to ascertain the value of the gross dealings effected by shop-keepers, but it is difficult to assess the net profit per rupee. This net profit always varies and there cannot be a uniform rate as cloth merchants sometimes realize two to four annas per rupee on fashionable cloth which the other shop cannot offer for sales. Cloth out of fashion is sometimes sold at no profit. But considering all these points it is safe to assume that wholesale cloth merchants realize 5 per cent and retail sellers 10 per cent., excluding freight charges, etc. I have allowed rent of the shop, pay of the "munim" and interest out of this profit of 5 and 10 per cent., respectively. Manyari and Pansari shops realize about 2 annas per rupee or 12-8-0 per cent. The figures of the town of Lyallpur ignoring the supplementary list (Tatima) stand as follows :—

	Rs.
1911-12	9,383
1912-13	10,914

JARANWALA MANDI.

The work in this mandi has been slack as compared with the last year. New mandis have been opened at Tandlianwala in Samundri tahsil of Lyallpur district and Nankana

Sahib and Chuhar Kana in Gujranwala district. Nankana Sahib is only 20 miles from Jaranwala and Chuhar Kana 34 miles.

One great defect I noticed in this mandi was that there is no wealthy " arhti. " The grain dealers have started business with small capitals and zamindars bringing corn to this mandi do not find a ready sale and an early settlement of their accounts. They have to wait for payment till the arhti settles their accounts with big English firms, and therefore they sometimes prefer striking independent bargains rather than to bring their corn to the mandi. Lala Sewak Ram, Barrister-at-Law, who is a big landlord in the neighbourhood, disposes of the produce of his land without the intervention of the arhtis. Zamindars make independent bargains with the agents of big English firms who are now to be found in almost every mandi and on every railway station. Other business in the town of Jaranwala has also suffered as shops have now been opened in almost every Chak and zamindars find their daily requirements supplied in their own villages.

The figures of initial demand are as below :—

	Rs.
1911-12	2,376
1912-13	2,483

CHINIOT ROAD MANDI.

There has been an increase of Rs 328 in this mandi as noted below :—

	Rs.
1911-12	563
1912-13	891

The bazar is a very small one and the work in the mandi is partially affected by Jaranwala. The rent of the shops is reduced to about one-third of what it originally was.

The figures of the towns in Lyallpur tahsil as compared with those of the last year s and as follows :—

	1911-12.	1912-13.
	Rs.	Rs.
Lyallpur town	9,383	10,914
Jaranwala	2,376	2,483
Road Chiniot	563	891
Total ...	12,322 ...	14,288

TOBA TEK SINGH TAHSIL.

There are two mandis in this tahsil : —

(1) Toba Tek Singh.

(2) Gojra.

I have been at Gojra from the 6th—10th June 1912 and checked the accounts of most of the arhtis and cloth merchants.

The mandi is flourishing although as compared with past years the business is generally on the decline. The opening of the new Chichoki Malian—Shorkot line has considerably reduced the work in this mandi. Moreover, grain is now booked at almost every station as Sar Shamir, Pacca Anna, Abbaspur and zamindars generally sell their corn at these stations to the agents of big English grain dealing firms instead of bringing it to the mandis.

Seven shops of Gojra who were paying an income-tax of Rs. 435 have since gone to Tandlianwala.

The principal shops at Gojra are the following :—

(1) Jassa Mal Dogar Mal, arhti Last year this firm was assessed at Rs. 83 only, but their income has proved to be much more than it has hitherto been estimated.

They have been escaping taxation. Their income has been assessed at Rs. 15,000. They own two shops, one at Gojra and one at Toba Tek Singh. They were given every opportunity to produce their accounts, but they have purposely evaded compliance. According to the statement of Dogar Mal, their income during 1911-12 has been about Rs. 13,189 (excluding expenses about Rs. 10,000), but they have produced no account books.

The second shop in importance is the one owned by Mehta Bahadur Chand, Pleader of Jhang. During the year 1910-11 their sale-proceeds amounted to Rs. 5,00,000 about and they were assessed on an income of Rs. 1,50,000, Rs. 390-10-0 reduced to Rs. 312-8-0 on appeal. During 1911-12 they have sold cloth worth Rs. 2,52,800. I have checked prices

given in the invoices of Karachi, Amritsar and Bombay and the sale price given in the account books of the firm and find that on the whole they do not realize less than 5 per cent. profits which comes to a little above 3 pice a rupee.

Calculating on this rate their income comes to Rs. 12,640, and allowing them rent of the shop and other necessary expenses their net income assessable comes to Rs. 11,000, tax Rs. 286-7-4.

The third big shop is that of Godha Ram, cloth merchant. His sale-proceeds during 1911-12 came to Rs. 1,45,000 and he has been assessed at Rs. 5,500, tax Rs. 143-3-8. His accounts were thoroughly checked.

There are about a dozen more shops earning an income of Rs. 3,000 or more a year in this mandi. Gojra is the most flourishing mandi in the district of Lyallpur.

Toba Tek Singh.

I was at Toba Tek Singh 11th—17th June 1912.

The arhat business in this mandi is not very flourishing. The Jhang mandi has affected the business here. There are no big capitalists in this mandi, and the zamindars do not willingly bring their corn here. The villages or chaks surrounding Toba Tek Singh have not got very productive land. The biggest shop is that of Sawai Ram, cloth merchant, who pays an income-tax of Rs. 104-2-8. Ram Rakha Ratan Mal, arhti, pays Rs. 78-2-0 on an income of Rs. 3,000. From the enquiries I made at Toba Tek Singh and Gojra it appeared that last year's taxation at these places was heavy and indiscriminate. The figures stand below :—

	1911-12	1912-13
	Rs.	Rs.
Toba Tek Singh	2,293 ...	2,070
Gojra	4,349 ...	4,251

I anticipated an increase of Rs. 1,200 in the total initial demand of this tahsil as an increase of Rs. 300 was made when the accounts of chak shops in this tahsil were examined.

Samundri Tahsil.

I was at Samundri for two days, 21st-22nd June 1912. It is a very small place and there is no grain market here. There is only one big sahukar Tahalya Ram, who did not produce any accounts, and has been assessed Rs. 91-2-4 on an income of Rs 3,500. Among the legal practitioners the income of Lala Harcharan Das, mukhtar, was found to be more than a thousand, and he has been assessed Rs. 20.

Tandlianwala.

I was at Tandlianwala on 25th—28th June 1912. The grain market is not yet in a very flourishing condition, but it promises to become a big market for the export of grain, cotton and toria.

The income for the year 1911-12 earned by the arhtis is not very hopeful as the mandi has been in existence for about 7 months. Most of the shops which are now working at great advantage were only started in October 1911, and later when the pacca grain market was completed. Almost all the shops in the pacca mandi are now occupied. I was able to find about a dozen new shops whose income was more than a thousand, and the increase I effected in this mandi amounted to Rs. 360. Next year we may expect better results.

After finishing my assessment in all the towns of Lyallpur I reported myself to the Deputy Commissioner for orders about the 5th July 1912. As there were no clear orders from Government, I was advised to check the assessment of village shops in all the three tahsils. In addition to this, I was given 22 chalan cases, seven complaints and fifty-eight miscellaneous criminal files left over by Munshi Taj-ud-din, Extra Assistant Commissioner. The charge of four Police stations,—Chuttiana, Rajana, Muridwala and Killianwala—was also given to me and all chalans and reports from the sub-inspectors of these thanas had to be disposed of by me as Magistrate of the ilaqa.

I checked the shop accounts of 139 villages in Toba Tek Singh. Only those who paid any tax were summoned at the Irrigation inspection bungalows, and an increase of Rs. 300 was made in the assessment made by the Tahsildar.

In the Samundri tahsil each and every shop-keeper, whether his income was assessable or not, was summoned, and his accounts were examined. In this tahsil I checked the accounts of 1,200 shop-keepers in 305 villages and effected an increase of Rs. 1,800. I was able to find 53 new assessees in this tahsil. I had finished Samundri tahsil and was about to start the checking of village shops in Lyallpur tahsil when I received orders to stop the work and to hand in my report before the 30th August 1912. I anticipated better results in Lyallpur tahsil as it is 1½ larger than Samundri. The assessment made by the Tahsildar, Naib Tahsildar of Lyallpur and Naib Tahsildar of sub-tahsil Jaranwala will now hold good for this tahsil, while the two sister tahsils of Toba Tek Singh and Samundri were subjected to very minute scrutiny.

In checking the accounts of chak shops in the Samundri and Toba Tek Singh tahsils, I noticed the following points :—

(1) The native shop-keepers are naturally disinclined to produce their faithful accounts and to allow any officer to peep into their account books ;

(2) When they give their accounts, they underestimate their income.

(3) They are very reluctant to produce their true account books. Any officer who does not know Hindi Bahi Khata system can be very easily duped by them.

(4) The shop-keepers do not keep any accounts, and to a certain extent they are right, as in village shops the zamindars make a sort of barter, they give a certain quantity of corn and receive in exchange sugar, oil, tobacco and other necessaries of life. The shop-keepers in this way collect bags of the corn of the season and sell them in mandi. It is difficult to estimate the value of the articles given in exchange of this corn.

(5) The rate of interest paid by the agriculturists is heavy. They pay Re. 0-2-0 per rupee every six months which comes to 25 per cent. Sometimes compound interest is calculated which comes to 27½ per cent. The chak shops realize good incomes, and it is very necessary that their incomes should be carefully checked.

The Tahsildars, I fear, do not find sufficient time to give to this very important part of their duties.

GENERAL REMARKS.

The general aspect of the assessment question in the year 1912-13 has not been very encouraging in this district. The commercial activities have since declined as compared with the incomes of past years. The final figures on 1st September 1912 of initial demand stand as follows :—This does not include the amounts to be intimated in supplementary lists.

The final figures of initial demand stand as follows :—

	1911-12			1912-13		
	Rs.	A.	P.	Rs.	A.	P.
Lyallpur Tahsil ...	18,262	11	5	22,552	3	9
Samundri Tahsil ...	11,037	4	7	16,557	3	2
Toba Tek Singh Tahsil	11,698	1	3	12,611	13	1
Total ...	40,998	1	3	51,721	4	0

Of the increase of Rs. 10,700 proposed in the initial demand about half the amount is due to the special check which has been exercised this year. The Tahsildars of Toba Tek Singh and Samundri had made their assessments for the year 1912-13 when the officer on special duty visited the mandis and chaks in their tahsils. The Extra Assistant Commissioner effected an increase of about Rs. 800 in Toba Tek Singh and Rs. 2,300 in Samundri tahsil. The Tahsildar of Lyallpur had not yet made his assessment, and the special officer made the entire assessment in the town of Lyallpur which resulted in an increase of Rs 1,600. An increase of about Rs. 300 was made in the chak shops of Lyallpur tahsil. The shops in the remaining chaks of this tahsil were left unchecked.

I have been ordered to submit my report before 1st September 1912 on which date I will relinquish charge in this district. But I respectfully beg to bring to notice that it is very necessary that the assessing officer should have been present in the district at the time of the disposal of objections. The assessing officer is expected to have thoroughly gone into the accounts of each shop-keeper and to know much better about the incomes of the shops than the officer who has to rely on the report of the Commissioners only. The work of an assessing officer can be easily upset by the officer hearing the objections. I quite agree with the Deputy Commissioner that it is to the interest of the assessees that the objections should be heard by an officer other than the assessing officer. But I think the presence of the assessing officer is necessary to a certain extent to explain matters and for consultation purposes. I am leaving brief notes on incomes of Rs. 2,000 and above for the information of the officer hearing the objections.

I have ten criminal cases of very recent dates pending with me, and the number of prisoners in the lock-up relating to cases in this court is 4 against 48 when I took over charge of criminal work on 5th July 1912. I have pleasure to note that I found the work of Lala Dharu Lal, Tahsildar of Samundri, most perfect and complete. He appears to have taken pains with the assessment work in his tahsil.

In the end I beg to express my indebtedness to Colonel M. W. Douglas, Deputy Commissioner, for the very kind consideration with which he has treated me during the short period I have had the honour to serve under him.

No. 697-C., dated 7th November 1912.

From—R. HUMPHREYS, Esquire, Deputy Commissioner, Lahore,

To—The Commissioner, Lahore Division.

WITH reference to your endorsement No. 638, dated the 28th July 1912, I have the honour to forward copy of the report drawn up by Diwan Kanhiya Lal, officer on special duty, on his work of revision of the income-tax assessment of Lahore. In setting him to work I arranged to follow as far as possible the system which has been elaborated at Delhi, the ground work of which is that each assessee under section 17 of the Act should have a separate personal file which would continue from year to year. Diwan Kanhiya Lal was hampered both by the newness of the kind of work, as he had not done anything of the kind before, and also by his being a stranger to the city. He, however, displayed great energy and industry, and I consider the results have been on the whole satisfactory, though some of the earlier part of his work no doubt shows the effect of his want of local knowledge. A more reliable verdict can be passed when the objections have been completely decided. Naturally where the enhancements have been so large the number of objections has very largely increased as people take the view that the increases in assessment are based on the increase in income during the year, and not, as was the fact, on the inadequacy of the previous assessment.

2. The report deals with the city assessment, but Diwan Kanhiya Lal was also in charge of the assessment in civil lines which was done on the same lines.

3. I would strongly recommend that next year also special arrangements should be made for revising the assessment. The work has been well begun, but I think it would certainly be advisable to continue the enquiries over another year in order to get it on a really sound basis, and with the knowledge which Kanhiya Lal now possesses he would be in an excellent position to carry it on next year. Every file came to me, and I passed final orders as to the amount to be assessed.

4. In my letter No. 474 C., dated the 31st July 1912, I brought to notice the decision of the Railway Board to cease giving information as to persons' incomes. In the orders passed by the Financial Commissioner in his Senior Secretary's letter No. 6084, dated the 23rd August 1912, communicated with your endorsement No. 807, dated the 12th September 1912, I think the purport of my representation was not entirely grasped, as it would appear the idea was that the information which used to be supplied related to importers of goods. Such information is, as a matter of fact, never asked for. What is required and what has always hitherto been obtained is a list of the contractors working for the railway with the amounts paid to each during the year. We then assess them to income-tax on the estimated profits usually at the rate of 10 per cent. on the amount received. As you are well aware the number of contractors in Lahore is very large and their receipts vary enormously from year to year. Without such a list of payments made to them therefore it will be extremely difficult if not impossible to assess them properly and equitably, and I would strongly urge that if possible the matter may be reconsidered We get these returns from all other departments including the municipalities and district boards, and the apprehension is that if matters rest where they are other departments may follow the lead of the Railway Board. The system only applies to contractors, does not injure them and enormously facilitates the work of assessment.

5. I bring the good work done by Diwan Kanhiya Lal to the favourable notice of the Financial Commissioners.

Report, dated the 30th October 1912, on income-tax assessment for the Lahore City, by Diwan KANHIYA LAL.

I MOST respectfully beg to submit my report on the income-tax assessments of the city of Lahore :—

I entered on my duties on 1st May 1912 and completed the assessment on 31st August 1912. The income-tax assessment for the year under report must be distinguished from the previous assessments inasmuch as it has been made by a specially deputed officer. The assessment though a very heavy task was finished within four months, the period allotted for the work.

The assessment has been made on a system, the chief feature of which is the preparation of personal files for all those assessees whose income is above Rs. 2,000 per annum.

In order to have all these persons liable to tax on the register, I prepared lists of principal shops and firms in the various quarters of the city and verified them by personal visits and by reference to the leading residents of those quarters. I convened a meeting of the Municipal Commissioners and other respectable persons of the city, held regular consultations with them, and tried to find out the various sources of income. The most difficult feature of

the assessment was the finding of probable and correct incomes and the sources thereof of the various assessees. Wherever I went to inspect personally any firm or shop, the shopkeepers closed their shops and dispersed the persons who conducted the business of the firms or shops, and some went even so far as to remove the stock of their shops or firms. In many cases even the *Chaudhries* of bazars and wards hesitated to disclose the incomes of their neighbours, and I had therefore to pay surprise visits to the shops. My object was that those who could pay should not escape taxation, and those whose incomes were not assessable should not be included in the list. Every precaution was taken to afford the assessees every possible facility for revealing their incomes. Notices were issued to all the assessees and declaration forms sent to all those whose incomes were above Rs 2,000 per annum as well as to other respectable men such as doctors, pleaders, managers and proprietors of firms and trading companies who may reasonably be expected to keep accounts, but very few responded to the call. Most of the assessees failed to submit the declaration forms, and others returned them unfilled. Those who filled the forms filled them incorrectly.

I held my sittings in the tahsil quarters merely for the convenience of the people.

As many assessees as cared to present themselves were personally examined with a view to ascertain their probable incomes, but most of them adroitly managed to avoid exact and accurate answers to the questions put to them. Most of the respectable firms and shops keep regular account books, but they would either not produce the account books at all or produced those that were not genuine or else were incomplete. If the account books were produced by all those who keep them mathematically correct estimates of incomes might have been formed. All were ready to give detailed accounts of their expenditure, but observed discreet silence with regard to their incomes. The reasons given for not revealing their true incomes or not producing the account books were always of a flimsy nature, the real cause for such conduct being, of course, the fear of assessment up to the mark.

As no correct knowledge of the various sources of income was possible, I based the assessments—

(*a*) on the probable estimated value of an nual sales effected by any firm or shop ;

(*b*) on the reputed earnings ;

(*c*) on the incomes returned by the assessees, wherever their statement could be relied upon :

but this was not enough. The results arrived at were always supplemented by personal visits to shops and firms and by enquiries made by Chaudhries, Mu nicipal Commissioners and respectable members of each ward and quarter.

The results of assessment on the whole have been very satisfactory. The number of assessees has risen from 936 to 1,336 and the initial demand from Rs. 62,292 to Rs. 99,789. The civil station assessment is not included in this report. I being new to the district had to discharge a very heavy burden of work. The way in which I worked and the difficulties I had to meet are well known to you.

Munshi Altaf Hussain, Tahsildar, worked all along with me. He worked very hard and had a thorough knowledge of all the details of assessment work of Lahore. I commend him strongly to your favourable consideration for the useful work he has done in connection with income tax assessment.

I sub-join a note on some of the principal trades and businesses which are carried on particularly in the city of Lahore :—

Note on principal trades and business.

I.—Jewellers.

There are very few jewellers in the Lahore City. The jewels are chiefly imported into Lahore from the outlying States and exported to Bombay, Ajmere, Amritsar and certain Native States of India. The sales usually take place amongst the local dealers in Lahore. The rates of profit under this head cannot possibly be fixed, the prices being more or less fancy ones. The "Jawahiries" being a wealthy class and having a lot of money in hand, deal in money-lending on a large scale, and make two-fold profits thereby. In making assessment under this head the assessing officer had to take into consideration the double source of income, and that was creditably done here in Lahore.

II.—Saraf.

The assessees under this head comprise the following classes :—

(*a*) Sellers of ready-made silver and gold ornaments.

(*b*) Money changers and dealers in gold and silver.

This is a very lucrative trade, and the dealers make large profits in making purchases of ornaments from the needy people. They are sufficiently well-to-do, and hence I believe they are rightly assessed.

III.—Money lenders.

This class is chiefly noted for lending money on very high rate of interest, and it is very difficult to find out their transactions as they are very shrewd in concealing their dealings. Most of them deal with the Europeans, chiefly of the Railway departments, and charge very exorbitant interest Others get hold of the young men of the wealthy classes and advance them money on a large scale, who being quite ignorant of worldly affairs easily fall into their clutches and thus ruin themselves.

IV.—Gotawalas.

This class includes Kanariwalas and Kandlawalas. *Sucha* gota is chiefly manufactured at Lahore, but *jhoota* gota is mostly imported from Russia. From enquiries made it appears that their net profits are not very high.

V.—Cloth merchants.

This class comprises the following:—

(*a*) Those who deal in woollen cloth.

(*b*) Those who deal in cotton cloth.

(*c*) Those who deal in silken and daryai cloth.

The dealers in this trade are very numerous and make much profits. I selected a good number of respectable men from this class, and asked them the rates of profits which might be fixed for this trade, but to my great disappointment none came forward to tell the truth.

Consequently I had to meet with great difficulty in assessing this class of people. However, I managed to find out the rates of profit that could possibly be fixed on this trade and assessed the merchants accordingly.

VI.—Grain dealers.

This class includes Artias too, and deals besides in grain, in flour, rice, cotton, indigo and seeds, etc. Lahore not being a grain market of great importance a sufficient quantity is imported from the surrounding districts for local consumption. This import is not only profitable for those who speculate in grain but also to others through whom the sales are effected. This increase of our assessment is due to the flourishing condition of the old assessees as well as to the inclusion of new assessees under this head.

VII.—Dealers in country-made shoes, *i.e.*, Jutawalas.

A good trade is carried on here in shoes which are usually called *Gamashahi* and Kasuri Tiladar. They are particularly made in Lahore, and exported in large quantities. Tiladar juti is worth not less than Rs. 15. Previously there had been no tax on this trade. It is in fact this year that this trade has been assessed. Dealers in this trade are generally in a flourishing condition, and can easily pay the amount at which they have been assessed. In a way they make double profits, *i.e.*, they make a nominal sale in the names of their wives and children and make a note to that effect in their account books. After that when a customer comes to purchase a pair of shoes they realize profit on the amount they had entered in the names of their wives and children and thereby make two-fold profits.

VIII.—Dealers in boots and shoes.

Dealers in this trade are many, but they have not got sufficient stock to realize good profits. Those whose incomes were assessable and who had sufficient stock have been assessed, and those who live from hand to mouth have been left out.

IX.—Dealers in hides and skins.

Dealers in this trade are generally Khojas of Chiniot and Bhera. They being members of one class have monopolized this trade. A great quantity of hides and skins is imported into Lahore from the western districts of the Punjab. As soon as they are brought in they are rubbed with arsenic and then exported to foreign countries. The trade being in the hands of one class, the dealers make large profits. The sales are usually conducted through the Artias who are really the owners of goods and who thereby make double profits—one profit being in the capacity of owners and the other in the capacity of an Arti. The rate of arat being Re. 0-2-9 per hide and Re. 0-2-6 per skin. I called upon the respect-

able traders and asked them the rates of net profits on this business, but they all made a compact amongst themselves, and stated that they had no accounts and that their trade was on the decline. A trade which is so extensively carried on in a city like Lahore cannot be conducted without accounts. However, I arrived at a probable income of each and every assessee under this head through the information of a respectable trader of this class, and I believe the assessment thus arrived at has been rightly made.

X.—Dealers in timber.

This class includes dealers in fuel also. Those who had large stocks of fuel in their shops and generally carried on retail business have been assessed. None of them produced their accounts and hence they were assessed on the information received from the Chaudhries and other respectable persons.

XI.—Contractors.

This class has been assessed on the basis of information received from the departments under which they held their contracts during the year. The heads of departments stated the amount of money the contractors had received, but did not communicate the rates of profits at which they should have been assessed. I therefore assembled a sufficient number of the respectable contractors and asked them the rates of net profits at which they should be assessed. They admitted 10 per cent. as net profit and the assessment was accordingly made on their statements.

XII.—Kaseras.

There is nothing particular to report about this class. Those who have sufficient stock and make large profits have been assesssd.

XIII.—House proprietors.

I asked each and every proprietor to supply me with a list of houses he owned in the town, as in many cases the income from house rents were understated. In most cases when the required lists were handed over to me, I went on the spot and made personal enquiries into the rents paid by the tenants and thereby arrived at a probably exact estimate of the income which every individual owner realized from the house property.

XIV.—Lohawalas.

This class of traders do not deal in iron articles, but some of them have got large foundries of their own which turn out goods on a large scale. The principal articles manufactured at these foundries are parts of machines (such as flour mills, soda water machines, etc.) which get out of order in daily use. The business seems to be very lucrative. Those who have large stores of iron and make large profits have been assessed.

XV.—Excise.

This class includes :—

(*a*) The wholesale dealers;

(*b*) The retail dealers.

This class of assessees deal in country liquors and spirits. Their annual sales and net profits are supplied by the Excise Department, and assessment has been made accordingly.

XVI.—Legal practitioners.

This class comprises barristers, advocates, pleaders and mukhtars. Declaration forms were sent to all the members of the Bar, but very few returned the forms after compliance. Those who filled up the forms roughly gave in their approximate incomes. When called upon to state their real incomes on solemn affirmation they unanimously stated they did not keep account. It is a matter of regret that an educated class like pleaders, etc., do not keep accounts ; whereas I believe no pleader can work without keeping some sort of memorandum or accounts. Every pleader pretends that his income is decreasing day by day while my idea is that as litigation increases, there is a proportionate increase in the income of legal practitioners. The pleaders' allegation that their incomes have decreased owing to the tahsil of Sharakpur being transferred from the Lahore district is not correct, as those pleaders who have clients in the Sharakpur tahsil are still engaged by them to conduct the cases in the Gujranwala district and take much higher fees now than they used to do while Sharakpur was in the Lahore district.

XVII.—Medical men.

This class includes :—

(*a*) Doctors.

(*b*) Native physicians.

(*c*) Attars (*i. e.*, druggists).

The assessees under this head were formerly under-assessed. With the growing spread of education the demand for medical men is largely increasing. Most of the doctors were requested to declare their incomes, but none acceded to my request. After all I assessed them on their reputed earnings, and I believe my estimate is probably correct. The druggists, chemists and attars, who deal in medicines and drugs and have sufficient stock, make large profits, and have been accordingly assessed.

XVIII.—Carriages for hire (or hackney carriages).

Lahore being the centre of traffic, many persons keep carriages which ply on hire. As a great number of carriages work within the muncipal limits, a list is always kept in the Municipal Office. I was supplied this list by the "*Darogha garian*," and the owners were assessed according to the net profits which they themselves stated could easily be realized from this business.

XIX.—Tent-makers.

This class deals in tent-making and tent-repairing. They made a very flourishing business this year, inasmuch as they had to supply tents, shamianas, Swiss Cottages and shouldaries on the occasion of the Coronation Darbar held in December 1911. Besides this, on marriage festivals, death occasions, fairs and jalsas tents are in great requisition. On wrestling matches *kanats* and shamianas are hired on a large scale. Hence they make large profits.

XX.—Press men.

Press men include editors, proprietors and managers of newspapers. Lahore being a civilised town, newspapers, magazines, etc., are eagerly read by a large number of people; hence many printing presses have grown up in Lahore. I made a thorough enquiry and prepared a list of all the proprietors who had shifted from outside and settled in Lahore. I made a sifting search into the incomes of all these presses, but only a few turned out to be assessable. There were formerly very few assessees under this head, but now the number is quadrupled. More might have been assessed, but owing to their recent start, many live from hand to mouth. Hence those who have been assessed are rightly assessed.

XXI.—Land trade.

There is a class of persons who take great delight in a business which may properly be called "Land and house speculation." Lahore being an educational centre and capital of the Province, the people who live inside the city prefer to procure a tract of land in an open place outside the city and build a house for their residence. Hence outlying portions of land (culturable and unculturable) have been built upon and fetch very handsome rents. The prices of these plots of land have enormously risen. For instance, a plot of land which was once worth Rs. 20 a marla fetches now about Rs. 400 and Rs. 500 a marla. Hence those who own land in the suburbs of city, sub-divided into small plots, sell them at very high prices and make large profits by this bargain.

There are some persons who have formed a party and who remain always on the look-out for some one who wishes to sell a house. These persons go to him and conduct his sale and receive their commission and thereby earn a good deal.

This kind of income was, I believe, never assessed until now, in Lahore. The assessees under this head, though few, are very flourishing, and I am confident they are properly assessed.

No. 811G., dated 21st December 1912.

From—The Deputy Commissioner, Rawalpindi,

To—The Commissioner, Rawalpindi Division.

I have the honour to solicit sanction to the entertainment of the establishment detailed below for Lala Raghunath Das, Extra Assistant Commissioner, in connection with his special income-tax assessment work in this district, and to request the favour of kindly allotting the necessary funds from your allotment for such establishments :—

		Rs.
1 Clerk for 2 months at Rs. 30 per mensem	... ...	60
2 Muharrirs for 2 months at Rs. 20 per mensem each ...	...	80
Total	...	140

2. As the services of the muharrirs were urgently needed in order to start the work of compilation of statistics from the octroi office and other similar sources, they have been entertained in anticipation of sanction.

No. 621, dated 4th February 1913.

From—H. J. Maynard, Esquire, Commissioner, Rawalpindi Division,

To—The Senior Secretary to the Financial Commissioners, Punjab.

With reference to the notification No. 137, dated 29th January 1913, regarding the posting of officers for revision of income-tax assessment, I have the honour to suggest that Lala Raghunath Das and Rao Bahadur Girdhari Lal should be instructed to meet for a day or two at some centre, such as Lahore, and assist one another with suggestions as to the course to be followed. Lala Raghunath Das does not appear to have been engaged on this work before, and it is by no means an easy matter to instruct him fully how to set about it.

Extract from Report on the Income-Tax Administration, Punjab, for the triennium ending 31st March 1911.

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The total number of assessees in 1902-03 was 48,925, from whom was collected rather over 14½ lakhs. In 1907-08 incomes under Rs. 1,000 per annum having been exempted, 23,428 assessees paid rather under 13½ lakhs, while in 1910-11 the number of assessees had risen to 26,055 and realizations to Rs. 14,66,760. That is to say, the yield from the tax, though rising steadily every year, had only increased by 8 per cent. during the three years under review, the average incidence on each assessee in 1910-11 being Rs. 56 as against Rs. 57 in 1907-08. Collections of land revenue increased from some 165¾ lakhs in 1907-08 to 207¾ lakhs in 1909-10 or by over 25 per cent. Excise receipts realised nearly 36 per cent. more in 1910-11 than they did in 1907-08.

As compared with the receipts from land revenue and excise the increase in income-tax collections must be considered extremely small, and not to bear due proportion to the increase in the general wealth and prosperity throughout the Province, that has been a marked feature of the last twenty years. On the other hand, there has been a general rise in the wages of labour which must seriously have interferred with the profits derived from commerce and trade.

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Extract from Report on the Income-Tax Administration, Punjab, for the triennium ending 31st March 1911.

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The Deputy Commissioner of Delhi has an interesting comparison between the assessments of the Delhi district and those of the rest of the Province since 1892.

He gives the following statement :—

Year.	Delhi District.		Punjab, excluding Delhi.		Remarks.
	Assessees.	Tax.	Assessees.	Tax.	
		Rs.		Rs.	
1892-93	2,353	72,165	38,613	8,67,427	Final demands.
1897-98	2,017	81,836	40,473	9,76,077	Ditto.
1902-03	2,671	1,25,543	40,302	9,91,326	Collections.
(Lowest limit raised from Rs. 500 to Rs. 1,000.)					
1907-08	1,669	1,46,001	18,373	8,26,783	Collections.
1908-09	1,741	1,35,996	19,282	8,78,951	Ditto.
1909-10	1,698	1,25,830	19,977	8,97,681	Ditto.
1910-11	1,710	1,27,698	20,743	9,46,490	Ditto.

From these figures it appears that while the revenue under this head in Delhi for the year 1910-11 was higher than it was in 1892-93 and higher than the revenne of 1897-98, in the rest of the Province the revenue for 1910-11 was only Rs. 79,000 higher than that of 1892-93 and was actually about Rs. 30,000 lower than that of 1897-98.

The Deputy Commissioner adds :—

"It is surely almost inconceivable that, if these figures express correctly the increase in the wealth and prosperity of Delhi, those for the rest of the Province which show it to have been practically standing still or even retrogressing can be even approximately near the mark. As a matter of fact, we know that there has been an enormous advance in material wealth in the Punjab during the two past decades. But while the income-tax now paid under part IV in Delhi is as large or even larger than the payment before incomes between Rs. 500 and Rs. 1,000 were exempted, the rest of the Province has still more than ½ lakh to make up to reach the revenue formerly obtained. These figures appear to give food for serious thought regarding the methods and results of income-tax assessments."

Against this pessimistic view it may be urged that the rest of the Province was proportionately far harder hit than the Delhi district by the addition of the tax on incomes below Rs. 1,000 and that while the tax collected from the rest of the Province has increased 14½ per cent. since 1907-08, the tax in the Delhi district has decreased by 12½ per cent. But the chief reason for the results brought out by Mr. Barron is no less obvious than the loss to the revenues of the Province. The large exporting firms doing business in Lyallpur, Amritsar, Lahore, Ferozepore, Multan, Hissar and other districts do not pay their income-tax in the Punjab, where a large proportion of their profits accrue, but in Bombay, Karachi, Shikarpur and other commercial centres where they declare their principal place of business or residence to be. The amount of assessable income thus annually lost to the Punjab may be gathered from the statement in the Lyallpur report that "incomes aggregating Rs. 1,41,548 (excluding profits from ginning and pressing factories) were transferred from the Toba Tek Singh tahsil alone last year". But leaving this important consideration out of account, return No. IV reveals great disparity in collections under the head of other sources of income which can only point to defects in the methods of assessment. Thus the Lyallpur assessment under this head, though it has certainly increased by 83 per cent. in the last four years only, amounts to some Rs. 30,000 or the same as Shahpur, against Rs. 51,000 in Hissar, Rs. 46,000 in Rohtak and Rs. 54,000 in Karnal districts which are not associated with any traditions of abundant wealth. Compared with these districts, Multan with Rs. 52,000 would appear to be considerably under-assessed.

Endorsement by the Commissioner Rawalpindi, Division.

No. 1192, dated 27th February 1912.

COPY of the foregoing forwarded to A. M. Stow, Esquire, I.C.S, Senior Secretary to the Financial Commissioners, Punjab, for information.

Extract paragraph 4 from a letter No. 484, dated 13th July 1912, from A. M. STOW, Esquire, Senior Secretary to the Financial Commissioners, Punjab, to the Chief Secretary to Government, Punjab.

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4. It is satisfactory to note the increased attention given by Commissioners and district officers to the important matter of the preliminary assessment. The Commissioner of Rawalpindi has issued special instructions on the subject, and district officers generally are alive to the necessity of systematizing the information on which the subordinate officers, to whom the work of preliminary assessment is entrusted, must rely for a satisfactory performance of their duties.

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Extract from Income-Tax Report, dated 21st December 1912, made by Lala ARJAN DAS VASUDEV, Revenue Assistant and Special Income-Tax Officer, Multan.

II.—DIFFICULTIES OF ASSESSMENT.

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Another difficulty presented in such cases is the fact that such firms refuse to produce their accounts, and when they are shown they are only incomplete memos. There is no alternative under such circumstances but to adopt the principle of progressive increments until the accounts are produced, and this principle has been followed.

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Judicial officers generally have some idea of the income of each pleader, but that idea is always vague, and may in some cases be wide of the mark. They generally keep accounts, but they are seldom produced. A curious instance of the way in which people regard these assessments and of the sort of assistance we can expect even from educated citizens may usefully be given here.

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A local pleader used to pay tax on an income of Rs. 5,000 per annum. Before assessment I enquired from him as to his annual income. He said I might assess him as I wished, but he preferred to have his assessment undisturbed. I assessed him on an income of Rs. 8,000 per annum, and then he asked me as to how I had come to know his true income, as in his case the income assumed was the actual income.

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The assessment of income from deposits is exceedingly difficult, as banks give no information and private accounts are not forthcoming. Similarly, the railway statistics showing exports and imports of various firms cannot be had, and we are unable to utilize an important source of information.

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III.—Method of assessment.

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A very useful source of information was to be found in the Octroi registers, and I made full use of it. Complete lists showing imports of each firm in the town were prepared, and they gave valuable help. From the Sub-Registrar's registers a list of mortgagees and purchasers of house property was drawn up, and it proved very serviceable. Valuable as the foregoing guides of assessment are, an assessing officer has to depend a good deal upon his capacity to elicit information and to sift and prove it. Persons who can be trusted have to be selected and enquiries have to be made from them. Sometimes persons who are biassed against others give true information, but that information must be received with caution and should be checked with reference to independent inquiries.

IV.—Reasons for enhancement.

It was noticed at once in the first instance that the local pleaders were under-assessed. Not only was their actual income by practice under-estimated but their investments—the result of years' practice—were not taken into account. It seems to me that the assessing officer was anxious to avoid sudden enhancements and tried to raise the assessment gradually. This principle may have to be followed in assessing estates, but there is no reason why the actual income of a man should not be assessed under the Income-Tax Act. There is nothing in the Act or the rules to prohibit sudden enhancements.

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Excise contractors of Multan Town who still earn a good deal by short measure and adulteration in addition to their legitimate profits were never assessed before. There seems to have been prevalent there an idea that as they paid license fees their earnings were not taxable. A full assessment has now been imposed on each shop, and all except one have accepted the assessments made.

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It was also noticed in connection with the assessment inquiries that the rates of profits assumed in different cases were very low and correct calculations have now been made.

VI.—Suggestions.

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1. Regular information should be given by each Department with regard to the income of each employee to the Civil Department.

This is very necessary, as the salary added to the income from deposits makes a man's income taxable in many cases.

2. The Tahsildar should keep a complete list of persons following each profession, and these lists should be checked and corrected from time to time. There should always be kept in the Municipal Office a list of the principal house proprietors of the town, and the shops of the principal bazars where business is brisk should be numbered and a list showing the names of the proprietors and the rent in each case should be prepared by the Municipal Committee, and proper use can be made of it on various occasions.

3. The Octroi Department should regularly furnish a statement showing the imports of each firm in the town. Such statements will indicate the condition of each shop.

4. Notes should be written in the note-books from time to time just as I have noted cases for the coming year's assessment.

5. The law which prevents us from getting any information from banks should be amended. We need not obtain information with regard to each depositor's deposits, but the bank should pay the tax on behalf of each depositor who is taxable, and a certificate duly verified should be furnished by the bank concerned that all assessable incomes of depositors have paid their tax. Unless some such thing is done a large amount of income in the Province will go untaxed.

6. There are six 'foreign' firms here which do a good deal of business in grain. Their head-quarters are in Karachi or Bombay. We are never asked about their income, and there is no reason why for the sake of their convenience this Province should be deprived of the tax on incomes which accrue within the Province.

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Extract from a note, dated 7th October 1913, recorded by C. J. HALLIFAX, Esquire, Commissioner of the Multan Division, on the Income-Tax Report by Lala ARJAN DAS, VASUDEV, Revenue Assistant, Multan.

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4. With reference to the suggestions put forward by Lala Arjan Das for improvements in the present procedure under which income-tax is assessed, it has already been decided that the Railway authorities cannot be called upon to furnish information before an assessment is made. The same rule will apply to banks, contractors and others and indeed to municipalities which can hardly be expected to undertake special arrangements to provide the Income-Tax Department with information. There seems, however, no objection to an assessing officer's examining municipal and other books to which he can get access by consent and it is his duty on general considerations to make a full assessment on all assessees, leaving them, if they so desire it, to call for further particulars from the Railway authorities, contractors or others whose books they desire to be produced in support of objections.

5. The suggestions of Lala Arjan Das which have not been dealt with in the preceding paragraph amount practically to pointing out that greater care in assessments ought to be insisted upon from the officers to whom this duty is entrusted. In my opinion it is not necessary to put an Extra Assistant Commissioner on duty for the revision of assessment except occasionally. The Tahsildar is in a position to do all that is required, but the work of Tahsildars should be controlled more systematically. In particular, their annual notes should be entered up with greater care and detail. They should invariably make full notes of the character of the businesses and shops assessed and initial any account books which they may happen to find on surprise visits to be actually in use so as to take at least one step against the fabrication of books, specially for production on income-tax objections or appeal. They should also enter invariably an estimate as to the capital used in his business by each assessee and such exact information derived from figures relating to octroi, or to exports or to contracts or investments as can be obtained. Tahsildars' notes are at present very often useless and do not go into details at all. What is really required is that they should pay more attention to this branch of their work.

6. In Multan, as in Lyallpur, it has been brought to notice that local firms with big incomes have business elsewhere and are sometimes assessed outside the Punjab on the whole of their transactions. It would be a difficult matter to determine what their local business would be if it were not a branch of larger concern. Any attempt to discriminate between the part of the income that was due to the local working of a firm, say in Multan or Lyallpur and in Karachi respectively, would be practically impossible. But to ensure that a full assessment is imposed on each firm assessed outside the Punjab, the authorities of the place of assessment might before making their assessments be required to communicate with the places in which the firm has branches.

Extracts from an Income-Tax Report, submitted in 1913, by Lala RAGHUNATH DAS, Extra Assistant Commissioner and Special Income-Tax Officer, Rawalpindi.

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It is a matter of regret that no assistance was offered by any of the Municipal Commissioners in this respect and no list was furnished. Apart from this, they thought it derogatory to their dignity to accompany the Income-Tax Officer in their wards. Probably they were afraid of being deprived of the assistance of people at the time of election as a Municipal Commissioner. This is probably why they rendered me no help.

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Two temporary muharrirs were deputed from the district for two months. They were put to make an abstract of imports of big shops from the octroi registers. These abstracts were found to be of great assistance in assessment.

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Separate personal files of assessees whose annual income is more than Rs. 2,000 have been prepared and they contain inquiry notes. Separate notes are also recorded regarding those whose income is less than Rs. 2,000 a year, but generally every file contains the statements of the assessees. All these notes are collected in one file, and final orders on these files and notes are copied in the note-books, which will remain in the tahsil, while the original notes with files will be kept in Sadr Office. Similar notes and files have been prepared regarding new assessees. Thus there is a separate note or file of each assessee, and it will be of great service when an objection is lodged against the assessment, as it contains a complete enquiry.

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PLEADERS.

I have assessed them on an estimate based upon their general reputation and other reliable sources. In case they object to the assessment, they should be required to produce complete account of their income.

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HOUSE PROPRIETORS.

The Tahsildars do their best to enhance the assessment of their own tahsils, but they pay little attention to the income of those shops which have their head-quarters out of their jurisdictions, and income in such cases is not enquired into and communicated to the tahsils concerned. It is very necessary to draw the attention of the Tahsildars to this important point and they should always realize that to communicate the income of such firms which have their head-quarters in other districts is as essential as to make an assessment.

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Extract paragraph 3 from a letter, dated 31st December 1913, from Rao Bahadur Pandit GIRDHARI LAL, Extra Assistant Commissioner (on special duty income-tax), Amritsar, to the Deputy Commissioner, Ambala.

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3. The results of all these enquiries were briefly noted against the names of each of the assessees in the lists that were prepared for the purpose. After this was done, the list of each place was divided into a number of groups, according to municipal "wards" or other well marked parts. A date was then fixed for each group on the list, and all the assessees therein were summoned to a regular open panchayat which was held in a convenient place, within each area, and to which the recognized "chaudhris" and other respectable persons living in the locality were also invited. Each of the assessees was then called out and his affairs discussed openly, in his presence, allowing him full opportunity to say what he wanted. In all these cases, in which the assessees produced their books, they were assessed according to the results shown in the light of what information there already existed on record, after a face to-face discussion, while in those, in which no books were produced or in which the assessees elected to stay away, the amount of income-tax was fixed after a full discussion in the open panchayat. As the assessees had no knowledge as to the extent of information already obtained about them, a few hints from the record, coupled with a few cross questions, often drew out even more than what was known already. Any sham excuse, such as of "no account books" or of fictitious loss, etc., was peremptorily contradicted by some one or the other in the assembly. In this manner the best possible chances of arriving at an approximately correct conclusion were generally secured. In individual cases, of course, discussion and examination of books in a private manner, was also allowed.

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Extract paragraph 5 from a letter No. 145, dated 10th March 1914, from H. A. CASSON, Esquire, C.S.I., Commissioner, Lahore Division, to the Senior Secretary to the Financial Commissioners, Punjab.

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5. I would also draw attention to the fact that the assessing officer let off partially or entirely a large number of assessees who were wrongly assessed before This part of assessment work is just as necessary as assessing incomes really liable. In Amritsar the following assessees were released under each part.

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Extract paragraph 2 from a note on methods employed by Rai Bahadur Pandit GIRDHARI LAL in re-assessing income-tax in Amritsar, Gujranwala, Wazirabad and Batala.

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It will be necessary at every large place to have an efficient clerk at the head office, and that somebody on the district staff should make it his particular business to attend to this part of the income-tax work throughout the year.

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Extract paragraphs 5, 7, 9 and 10 from a letter, dated 31st December 1913, from Rao Bahadur Pandit GIRDHARI LAL, Extra Assistant Commissioner on special duty, (Income-Tax), Amritsar, to the Deputy Commissioner, Amritsar.

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Methods of inquiry and sources from which information collected.

5. As regards my method of the work and the results achieved thereby, under each of the three parts provided in the Income-Tax Act, which were dealt with by me, I give a brief summary below:—

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7. This increase of Rs. 2,478 under part I, as it is, seems to be a very fair one. But this must, however, be observed that agencies and offices continue to come into existence, as well as to cease their existence, all the year round, and in order to keep the list up to date and insure full payment of the dues, it will be necessary, in every large place, to have a good and efficient clerk at the head office, who is able to carry on correspondence, issue reminders and to see that no case remains incomplete or a sum unrecovered. There should also be somebody on the district staff, who makes it his business, particularly to see to this part of the income-tax work, throughout the year.

9. * * * * * * * *

He has to look in to every nook and corner of a city, to mix with and talk freely with all classes of people ignoring all criticism. He has to keep himself well posted with the advertisement columns of local newspapers, Urdu, Hindi or Gurmukhi, and can hardly afford to overlook a notice board in the street or a common calendar of the year published by somebody. All this I may say more or less requires the skill and tenacity of a detective.

10. * * * * * * *

* * A popular contractor with established reputation and customers, who had a large sale, and paid a high license fee on one shop in the last year, carries his large sale and profits to another shop, which he secures on a smaller fee, this year. *

Extracts from a report, dated October 1914, of Lala RAGHUNATH DASS, Extra Assistant Commissioner and Special Income-Tax Officer, Lahore.

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Hitherto, the assessments at an income of Rs. 2,000 or under were made by the Tahsildar and those above this amount by the assessing officer. It appeared to me on taking up the duties that the class of assessees whose income is Rs. 2,000 or under were the chief complainants against the assessment, and I also suspected that a number of persons of this class who ought to have been assessed had, as a matter of fact, escaped assessment. I, therefore, thought it proper to take the whole assessment of Lahore City and Anarkali including incomes of Rs. 2,000 or below into my own hands, so as to be able to thoroughly revise and redistribute the assessment with a view to relieve such persons whose incomes were not to the limit of assessment and also to assess those people who had hitherto escaped.

I, therefore, took the whole work of city and civil station in my own hands, while left the whole work of villages to be done by the Tahsildar under my supervision.

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In order to find out the real state of things, I first of all called a private meeting of some respectable merchants and traders of the city and enquired from them what their grievances were and discovered that their chief grievance was against the system of solely depending upon the *informers* who, as often as not, were actuated by motives of private enmity or self-aggrandisement at the expense of others, and I was surprised to find that this class of professional informers was extremely unpopular in the whole city and nobody had a good word to say for them. It also appeared that the information given by them was in several cases misleading and incorrect. I, therefore, decided not to consult such informers, but to make independent enquiries in each case to find out the real condition of the assessee by personal visits, examination of accounts (wherever it was possible to see such accounts) and by enquiries from two or three respectable and disinterested persons in each bazar. * * *

Notices under section 18 of the Act were sent to all persons whose income was over Rs. 2,000, but in most cases no replies were received. But even such persons who did not send in their return of income were asked by me to attend and produce accounts, and in response to this a large number of persons attended and showed me their account books which were checked in most cases by myself and in some cases by respectable persons who gladly did the work without any remuneration. I did not think it proper solely to rely on account-books in every case, but tried to test their truth by making further enquiries about the financial position of the assessee.

When people discovered that I was not acting with unnecessary harshness, but was placing some reliance on account-books and took pains to go through them and did not reject them without cogent reasons, a large number of assessees came and showed me their accounts.

In the case of persons who did not either keep accounts or did not like to produce them, I relied on the general reputation that they had in the locality with regard to their income and financial position. In such cases I had to enquire from 2 or 3 disinterested persons separately and found in majority of cases that their opinions were identical, so I felt no difficulty in assessing their incomes.

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The reduction has been effected mostly in the case of small artisans, petty shop-keepers, land traders (this business is decreasing on account of bank failures) and prostitutes earning incomes from immoral sources excluding dancing girls, and also among such persons whose account-books showed a considerable decrease in their income. It has also been found that in the city of Lahore a number of persons carrying on business have a reputation of having large incomes, but really such persons, most of them speculators, trade on borrowed money and have to pay a large amount of interest (which had to be taken into consideration in fixing their incomes). In such cases it is not safe or proper to place implicit reliance on general reputation, but full enquiry is necessary to find out their real financial position and actual income As a result of such enquiries, the assessment in some cases of this class had to be reduced. On the other hand, the increase has been in the case of some big firms and persons who have large incomes, but were under-assessed and in some cases not assessed at all previously. * * *

In Lahore there are four principal classes of assessees :—(1) merchants and traders of different goods and other professional persons other than legal practitioners, (2) legal practitioners, (3) house proprietors and capitalists, (4) contractors including excise license-holders.

I will give a few remarks about these classes :—

Traders and merchants, etc.—While assessing these persons I had to take into consideration that the rents of the premises paid by them to house proprietors, being in most cases very high, the major portion of their profits mostly goes into the pockets of the house-owners. In most cases the main part of the capital invested in the business was borrowed, and so we have to take into consideration the amount of interest they have to pay to the capitalists, and thereby reducing their net profits. In estimating the average percentage of profits on their sales for the various classes of goods handled by the same shop-keeper, I had to rely on information given by representative persons of each class of trade corroborated by statements of independent reliable persons having a general experience of trade.

Pleaders and all legal practitioners.—The second principal class of assessees in Lahore are the legal practitioners. They were all given notices under section 18 of the Act to fill the declaration forms, sent to them under registered covers, but very few returned their incomes, and those too in a very incomplete manner. They generally keep registers of their incomes or some other sort of account, but do not produce them for reasons best known to themselves. While questioned, they state generally that they do not keep accounts, but I am not prepared to admit this, as I have seen in some cases registers of income kept by them. It is certainly a matter of regret that this class of assessees who form the flower of the educated community fail to keep, as they assert, regular accounts as all business men have to do. In assessing them, therefore, I had to depend on the best information that I could get of their income according to their general fame and reputation, which they keep among themselves. * * *

House proprietors and capitalists.—To arrive at a correct estimate of the incomes of house proprietors, it is not an easy task in a big city like Lahore. To achieve this object, if it be practicable, a complete list of all houses and shops within municipal limits showing the name of proprietors and their probable monthly rents should be prepared through the help of Municipal Commissioners and officials by a special establishment, which may help the assessing officer at the time of assessment. In the present assessment I had to rely upon what they had said about their rental incomes. I hope that by the preparation of such a list as suggested some more new persons liable to assessment may be found out.

and an increase is also expected in present assessees' incomes. The capitalists do not generally expose themselves, and their cases are also difficult to treat. However an endeavour has been made to find out their approximate incomes through reliable sources.

Contractors. * * * * * *

The profits on the payments made by the departments to contractors have been estimated at Rs. 10 per cent., as generally has been the case in last years, and it seems a fair estimate. In the case of excise contractors the amount of profits was estimated by the excise authorities, and I assessed them accordingly.

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As regards assessment under part II (limited concerns), I have disposed of all the previous files on the register and have assessed hitherto Rs. 8,740 as against Rs. 9,940 last year. This decrease is due to the failure of some banks and companies. It appeared that many limited concerns had escaped assessment previously. In order to find out the names of all such concerns in Lahore, I asked the Registrar of Joint Stock Companies to supply me with a list of such concerns which were in existence on 31st March 1914. This list was received in September 1914, showing many new names of limited companies which were not on our register, though they were not of very much importance, but still they existed and should have been on our register before. * * *

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Letter No. 1191, dated 27th February 1912, from H. J. MAYNARD, Esquire, Commissioner, Rawalpindi Division, to all Deputy Commissioners, Rawalpindi Division.

THERE are certain defects and errors of frequent recurrence in the work of Tahsildars and officers who assess income-tax under Part IV of the Act or dispose of objections to assessments. I have classified them below, and I request that steps be taken to prevent their recurrence.

(I) Assessees are frequently assessed in more than one tahsil or in more than one district. This is wrong, even though the sources of income taken into account in the separate assessments be different. A single assessment should be made in the case of a firm carrying on business in more than one place: and a person should be assessed in the district and in the tahsil where he resides. When there is doubt as to the principal place of business of a firm, or the place of residence of a person, the Collector should obtain a ruling under section 47 of the Act: unless the question be merely one between different tahsils in his own district: when he will decide the point for himself.

(II) Definite reports are not obtained from other districts or other tahsils as to the income received elsewhere by assessees. A Tahsildar who includes in his estimate income received from property or business outside his own tahsil, must ascertain by reference to the other Tahsildars concerned what the amount of that income is estimated to be.

(III) New assessments are imposed, and old assessments enhanced, without assigning any definite reasons for the conclusion that such action is justified.

The proper course, when a new assessment is imposed, or last year's assessment on an individual is raised, is to treat the burden of proof as resting upon the assessing officer. Conversely, when an old assessee wishes to have last year's assessment reduced, or to be exempted from assessment, the burden of proof should be regarded as resting upon him.

In saying this, I do not mean to convey that *judicial* proof is in either case required: but simply that there must be some specific fact or facts pointing to the probable correctness of the opinion formed.

It is not enough to say: "so and so has not been assessed before. By common repute he has an income of Rs. 1,000. He denies that he has any accounts. An assessment of Rs. 20 should be imposed."

On the other hand, that the Tahsildar has presumably visited and seen the contents of a shop: or that such and such persons residents in such and such villages have dealings with so and so, showing that he has a business over an extended area: or that so and so, who has a business of a stated kind, has laid out such and such sums on buildings, showing that he is doing well, or that an assessee is engaged in a particular class of business which is known to have been particularly active or profitable in a certain year: are specific facts which, taken in conjunction with general repute and general local information, may justify certain conclusions—if better evidence is not forthcoming.

It should also be noted that the burden of proving an increased income is more easily discharged in a rising colony town than in a decaying one with a falling trade. An assessing officer should be chary of believing that an assessee in a decaying town such as Bhera or Pind Dadan Khan has a rising income. But he may safely be more ready to believe it, if the place of business is Sargodha or Bhalwal.

(IV) The precise nature of the business or businesses conducted by an assessee is often not stated. Often the expression used is merely "dukan": and it is seldom that a Tahsildar distinguishes clearly between wholesale business, retail business, and commission agency (arat): though the rates of profit in three cases vary very widely. The nature of the commodities dealt in, and the character of the business, should always be plainly stated. And when there are more businesses than one, the income estimated to be derived from each should be separately stated. Even though the estimate can be only rough, there is less chance of serious error if it be broken up into separate estimates for each separate business.

(V) There is no clear distinction drawn between nett profit and gross profit. A Tahsildar often states a rate which would be quite reasonable as a nett profit, and then proceeds to deduct from it the expenses of conducting business. Or he gives some very high rate of profit, such as 4 annas in the rupee, and proceeds with his calculation on the assumption that this is nett profit. There are probably very few trades, if any, which bring in a nett profit exceeding 10 per cent. on gross transactions and if a higher rate of nett profit is assumed, very clear reasons should be given for doing so. In wholesale trades, particularly in the wholesale cloth trade, the rate of nett profit on gross transactions is sometimes very low.

(VI) It is a common thing to select a person to act as a commission for the examination of accounts and then to ignore his report on the grounds—

(1) that traders always keep false accounts and

(2) that commissions always show favour to assessees.

Obviously, if these principles are of universal application, it is foolish to appoint commissions at all. The proper course is to scrutinise the report of the commission and see whether it contains internal evidence of being incorrect or incomplete. Sometimes a commission betrays his own carelessness by giving all his figures in complete round numbers, tens or hundreds. This shows that he has only given a rough approximation, and justifies distrust. Sometimes the report omits all mention of profit from a particular business which is known, from other ascertained facts, to exist. Sometimes the report assigns a definite reason (such as the absence of a day book) for distrusting the completeness of the accounts produced. In such cases there are good grounds for not accepting the results of the examination of accounts. But without specific reasons, the report of a commission should not be rejected as unreliable.

(VII) The reasons which are given by appellate authorities for upholding or modifying assessment orders are often not entered in income tax note-books. Sometimes these reasons embody facts which will be of use in future years. They should therefore be recorded in the note-books.

2. Vernacular copies of this circular are sent herewith for the use of officers engaged in income-tax work. One copy should be stitched into each income-tax note-book. I shall be glad to see an improvement in income-tax work. At present it is far less well done than any other work which comes before me, and is often grossly careless and unintelligent.

The foregoing instructions were circulated by the Financial Commissioner for information and criticism. The replies received contain many useful suggestions and criticisms of which the following deserve consideration.

Extract from a letter No. 499 C, dated 16th September 1914, from H. P. Tollinton, Esquire, Deputy Commissioner, Lahore, to the Commissioner, Lahore Division.

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2. * * * * In the case of increasing assessments to compel an assessee to show his accounts, I think the logical position is that when there is ground for holding aliunde that an assessee is insufficiently taxed, the fact that he refuses to produce any accounts, especially if this is in the face of a gradual enhancement through a long period of years, would act as a corroboration of the other grounds for enhancement though of itself it would not be a strong enough factor to justify enhancement.

3. * * * * * *
I think it would be absurd to lay it down that a commission's report must be accepted unless you can depreciate or disprove it by internal evidence. In my opinion it should be regarded as a test among others of the validity of the tax. Two sets of accounts may always exist.

Extract from a letter No. 123, dated 30th September 1914, from R. T. Clarke, Esquire, Deputy Commissioner, Ambala, to the Commissioner, Ambala Division.

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My experience of income-tax work is that the assessees who have large incomes are rarely over-assessed and I believe their assessments are generally much under the mark. Where a large assessee engaged in business such as that of a banker or mill owner refuses either to put in balance sheets or to submit his accounts for examination there is a strong presumption that

he is under-assessed if after a fair warning that accounts would be required he declines to produce them. Personally, I see no good reason why a banker should not be compelled to show his accounts to an income-tax officer. It seems to me absurd to imagine that our income-tax officers could or if they could that they would use their knowledge to the prejudice of honest business.

With regard to the small assessees, I regard Mr. Maynard's instructions as in every way suitable, but I confess to a desire to make the larger assessees disclose accounts. Their income-tax accounts are practically the only payment they make for the protection of Government which enables them to carry on their business. Why should this class be allowed to escape their fair share of the public burdens which other classes who are unable to conceal their incomes are compelled to endure for them.

Extract from a letter No. 33 G., dated 10th October 1914, from C. F. Usborne, Esquire, Deputy Commissioner, Hissar, to the Commissioner, Ambala Division.

* * * * I have the honour to enclose 46 questions for Tahsildars and Income-tax Commissioners to answer. They fall into 3 groups.

Questions 1 *to* 30.—First group might be answered without a reference to assessees' books.

Questions 31 *to* 38.—Second group will probably involve a reference to his books.

Questions 39 *to* 46.—Third group necessitate reference to the assessees' books.

These questions which include most of the questions raised by Mr. Maynard are, I think, pretty comprehensive for most kind of income-tax work. I propose to get them lithographed in half margin in Urdu and Roman-Urdu, and to distribute them to Tahsildars. Their replies together with any other remarks they may have to add will form the bedrock of each assessee's record. These details of course take a good long time to get and they aim at an amount of information and a degree of accuracy which has for the most part neither been reached or aimed at in the Punjab, but I hope by degrees these questions will be answered and when they are properly answered they will give Collectors what they have not got at present, something definite to go on. I may refer to my last report on the income-tax where I made similar remarks, and said I had not yet evolved a proper list of questions. Those in this letter are I think fairly complete.

List of Questions to be answered by Tahsildars and Income-tax Commissioners.

1. Name of firm.

2. Name of present assessee.

3. Give pedigree table of present assessees for 2 generations back showing residence and profession of assessee's nearest relations.

4. Who started the business and where is the home of the firm.

5. What kind of business is it—is it Wholesale. / Retail. / Commission Agent (arat).

6. If the business is of more than one sort give the approximate fractions of total profit made by each branch, *i. e.*, 3 parts arat, 1 part retail.

7. How many shops has the firm.

8. And where are they.

9. What is the approximate date of the foundation of each shop.

10. Who manages these various shops.

11. Are they one, two or three storied.

12. What staff of munims or clerks is kept in each shop.

13. If the firm does zemindari lending with what villages does the firm deal, give the tahsils : what number of asamis has the firm in each village.

14. Has the number of asamis increased or decreased during the last few years, if so in what village.

15. What land does the firm own and when was it bought. What land has it on mortgage and when did the firm become mortgaged. Give the area in bighas and give the land revenue on it and the approximate mortgage debt on it.

16. Has the assessee any private houses, if so, what is their nature and their approximate value.

17. Give detail of horses, cattle and carts owned by assessee.

18. If the firm deals in brokerage, give the firms for whom he is a broker, his pay as a broker, the amount of brokerage he has received, the kind of goods for which he is a broker and where the goods came from and where they go to.

19. Does the firm pay income-tax in other districts, if so, how much.

20. If the assessee has shops in other districts and his income is reported by the Collector there does the report show the nature and extent of his business as is indicated by these questions.

21. Is it known that in any particular year the assessee had heavy losses or profits, if so, give details.

22. Is it known what the assessee spent on any of the marriages of his family or received on that occasion.

23. Has the assessee built any charitable works, dharmsala, wells, etc, if so, when where and give approximate cost.

24. Does assessee usually live at his shop or at home, if so, for what periods.

25. If you are assessing on the amount of goods of a certain kind bought or sold say cloth, what rate or profit are you assuming in this connection, state if the business is retail or wholesale.

26. Was the year under review good or bad for any particular trades? If so, explain reasons.

27. If profit is alleged from selling grain or cotton or such things, give kind of grain and date when it was bought, and rate, date when it was sold and rate, and amount bought and sold if known: also name and residence of seller and buyer.

28. Has the assessee got any money invested in Government paper or fixed deposits in banks or Post Office bank or in shares in any company in India, if so, give amount invested and amount of annual profit.

29. Has assessee made or lost money in Satta or in forward contracts, if so, give details.

30. Has the assessee executed any registered deeds during the year.

31. How many bahis do they keep and who writes them.

32. Have any of the firm books ever been produced in court, if so, when and in what court and in what case.

33. What is the approximate amount—

(*a*) owed by each asami.

(*b*) paid by each asami during the year under review.

34. Does the assessee get any income from rent, if so, specify it.

35. If the assessee deals with other shops or people who are not zemindars get the name and residence of those shops and people and if possible the amounts lent, owed or paid.

36. Does the firm deal in Hundis. Give what details you know.

37. Does the firm lend money or pawn *jewels, give details.*

38. Does the assessee owe money to other firms or persons, if so, give details.

39. What are the names of the various bahis and who writes them.

40. Give a short account of how the books are kept, *i.e.*, what items are entered in the rokar, khata, naqal bahi, roznamcha, and what items are omitted from each of these books.

41. How many khatas are kept and what are their names,—

i.e, batta khata.

anaj khata.

dharam khata.

42. Has the rokar ever been checked with the khatas and other books? If so, by whom and how many consecutive entries were checked.

43. Do any of the books contain thumb marks or signatures of creditors or dealers or receipt stamps, if so, about how many.

44. What are assessee's gross profits, expenses, net profits, give details if known.

45. The Tahsildar and Revenue Assistant should note if he has personally ever inspected the shop or books of assessee, and if so, what he saw.

46. The following questions, *i.e.*, 46 (*a*) to (*q*) are meant chiefly for Commissioners who examine books.

(*a*) Give the number of the books you examined and their names.

(*b*) The number of pages in each book and the dates of the first and last entries.

(*c*) On what system are the books kept.

(*d*) See especially questions 5, 6, 7 to 19. The Commissioner should also answer all the other questions in this series.

(*e*) Take 2 representative months in the year and give total of—

(*a*) Credit transactions.

(*b*) Debit transactions for each of the months.

(*f*) Is a quarterly or yearly balance struck.

(*g*) Have you initialled or signed the part of the books you have examined.

(*h*) If exact figures are given quote the pages of the bahi from which they are derived.

(*i*) Give the approximate time you spent in examining the books.

(*j*) What tests did you apply to see that no sources of profit had been concealed from you to test the accuracy of the books.

(*k*) If you find the books inaccurate or unreliable state exactly what items are omitted and have you become aware of the missing items.

(*l*) How much did you know of the nature or extent of the assessee's business before you examined the books.

(*m*) Have you ever personally done business with the assessee, if so, quote the page of the bahi on which your transaction is entered.

(*n*) Does the assessee owe you or any of your relations money or do you or any of your relations owe him or any of his relations any money.

(*o*) Are you in any way related to him.

(*p*) How do you know how to examine books. Do you keep similar books yourself.

(*q*) How many times have you been appointed Commissioner to examine accounts.

Extract from a letter No. 254, dated 16th September 1914, from Diwan Bahadur Diwan NARINDRA NATH, Deputy Commissioner, Hoshiarpur, to the Commissioner, Jullundur Division.

* * * * * *

The rule laid down in paragraph (3) has generally been acted upon by me. When an old assessment is raised, I generally expect the assessing officers to prove that the increase is justified. On the other hand, when an old assessee wants to have his assessment reduced, I require him to prove that his income has fallen. But very often this rule of procedure is irreconcilable with the directions contained in paragraph VI. An objector often offers to produce his accounts. A commission is appointed. There is ordinarily nothing in the accounts to show their obvious falsity. But if the income is shown to be considerably less than that on which the objector has paid tax in previous year, and no specific cause for the decrease of income is assigned, the only course that remains for the assessing officer and for the Collector is to reject the accounts as unreliable without assigning any special reason. I have found it difficult to trust accounts or to base assessments on them. The safest rule is to look to previous assessments and to ask for proof (such proof as it is possible to have in case of assessment of tax) for increase or decrease of assessment.

2. Another pretty safe guide in assessment is improvement in the mode of living. Has the man built a new shop or a new house? Is he generally in more prosperous circumstances? If the answer is in the affirmative, his business is thriving. If on the other hand a man has been say for the last ten years assessed at Rs. 20 and he does not appear to spend more than Rs. 20 per mensem on his living where has the saving of Rs. 6,000 gone? It is expected that he should have extended his business, or derived profit from other investments. If he has not he has probably suffered losses or has been overassessed throughout.

3. There is a tendency to overassess people in villages, and to underassess those in towns. This tendency should be avoided.

Extract paragraph 6 from a letter No. 350, dated 12th October 1914, from T. MILLAR, Esquire, Deputy Commissioner, Jullundur, to the Commissioner, Jullundur Division.

* * * *

There is one sentence in paragraph III which calls for some criticism, *viz.*, 'It is not enough to say so and so has not been assessed before. By common repute he has an income of Rs 1,000......... ' As a matter of fact an assessment can be made 'on common repute' provided the 'common repute' is shown to have definite grounds—*vide* Financial Commissioner's circular No. 14 of 1886, paragraph 8.

* * * *

No. 4801, dated 10th November 1914.

From—Lieutenant-Colonel F. POPHAM YOUNG, C.I.E., Commissioner, Rawalpindi Division,

To—The Senior Secretary to the Financial Commissioners, Punjab.

* * * * *

IN my opinion the instructions which were issued by Mr. Maynard in this division in his circular letter No. 1191, dated 27th February-7th March 1912, are most pertinent and have been exceedingly useful. I do not, however, think that any instructions should issue from the Financial Commissioners' office, suggesting that 10 per cent. on the capital employed should be held to be the maximum of profit, unless special circumstances leading to a larger yield can be clearly established. It is true that this is not definitely propounded in paragraph 1 (*v*) of Mr. Maynard's circular; for he speaks of profits on gross transactions, and it is clear that when capital is turned over rapidly, the value of gross transactions can greatly exceed the capital employed within a year. Nevertheless it is likely that if Mr. Maynard's circular is issued from the Financial Commissioners' office as it stands a large number of assessing officers will understand that they are not to assume a profit of more than 10 per cent. capital employed, unless they can prove that a higher rate of interest has been earned.

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Extract paragraphs 4 to 8 from a letter No. 497 S., dated 21st September 1914, from H. CALVERT, Esquire, Deputy Commissioner, Attock, to the Commissioner, Rawalpindi Division.

* * * * * * * *

4. I agree with paragraph III, but it does not go far enough if it is intended to secure a more intelligent assessment. Tahsildars should systematically make regular lists of all the immoveable property owned by the assessee, its capital value and reasonable rental or annual profits therefrom. If a bania has built to himself a magnificent house costing Rs. 10,000, it should be assumed that a rental of Rs. 500 per annum appears on both sides of his balance sheet. The greater part of his wealth may be derived from land or usufructuary mortgages and income from these has to be excluded from the assessment based on appearances and rumour. Similarly we want a rough estimate of his annual expenditure, to deduct from his estimated income in order to estimate the annual addition to his capital. A useful check on assessments is to take the taxed income for five years, deduct therefrom the expenditure and so secure an estimate of the total addition to capital. The income from this addition to capital added to the assessed income of five years ago should give roughly the present income. Applying this test I usually find that the wealthiest men must be very lightly assessed indeed. Assessing officers hesitate to increase every year the tax on these gentry and yet many traders and commission agents with incomes of Rs 50,000 and over per annum do not spend more than Rs 3,000 to Rs 5,000 and must be adding largely to their capital. What assessing officers require is a list of the data which throw light on a man's income and instructions as to how these data should be used.

5. I agree with paragraph IV, but here again I venture to think the instructions do not go far enough. We ought to be able to estimate pretty accurately the profits of "Atta dal" and "lun tel" shops supplying a given population, say 1,000 people. As we know the population and the number of shops there would be little difficulty in distributing the estimated profits and deciding which shops are liable to taxation. In a village in Rohtak the Jats started a shop of their own in connection with the co-operative movement and kept accounts, and I was told that the income was far higher than anyone anticipated; the village shopkeeper has many ways of adding to his receipts, each one may seem petty, but the total is considerable. The average assessing officer would not take umbrage if his ignorance on these matters were described as abysmal. The regimental bania takes money on deposit and charges for looking after it, and I have frequently found that money of orphans or some panchayat fine or similar sum has been deposited with the village bania on equally attractive terms.

6. I agree with the first part of paragraph V relating to confusion between net profit and gross; but I would join issue with regard to the latter half. What about the Dehra Siwai system of lending seed grain? Even in England the difference in retail and wholesale price of an article may be 50 or 70 per cent. The chemist gets no profit on some articles but a large one on others. He has to store the former to retain custom, but he recommends the latter, as a vastly more superior article for the money. The sudden appearance all over the Punjab of large numbers of the newly rich raises doubt in my mind as to Mr. Maynard's maximum net profit of 10 per cent. The small village money-lender exacts anything from 18 to 36 per cent. and manipulates more than that out of the borrower. The example of the cloth trade quoted suggests that there is some confusion between profit on turnover and profit on capital invested. A commission agent may charge only one half per cent., but he is using the same capital over and over again and his annual profit on his capital invested in the business may be 15 to 30 per cent. It is because the capital cannot be turned over so rapidly in other businesses that higher profits per transaction have to be made. Our big English haberdashery firms expedite a sluggish turnover by a "sale," but the village merchant has to secure big profits to compensate for his slow returns. It is unfortunate that most of us who deal with assessment work are ill-fitted by education and training to estimate the profits of trade, but it should not be difficult to secure the advice and assistance of those possessed of the proper experience in collecting the information referred to at the end of paragraph 4 of this letter.

7. I agree with paragraph VI of the instructions, but have the same criticism to offer that it does not go far enough. We have been told in the Imperial Legislative Council that some traders keep three sets of books, one for himself, one for the income-tax officer and one for his partner. We hear that sometimes the larger transactions and those with more respectable people are entered in separate books. It is said that separate account books are kept for grain transactions, while badni and other forms of gambling are not brought into the regular books and money lent on jewels pledged is frequently not entered in any book at all. The assessing officer does not know to what extent these rumours are true and is never quite certain whether the report of the commission refers to all or some only of the books and the business undertaken. In Sohnis Code of Criminal Procedure there are reproduced in notes to Section 174, rules issued by various Local Governments dealing with medical evidence and I find that the Bengal Government has drawn up lists of questions which may be put to a witness; in a case of suspected poisoning there are 22 questions for a medical witness and 24 for a non-professional witness and in the following pages are 110 questions to meet other cases. When so much care has been taken over a poor corpse that can no longer be taxed why should not our commercial and financial experts draw up lists of questions which may be put to those still alive and squeezable? The Hon'ble Mr. Maynard has suggested certain lines of enquiry. I would put in the hands of our officers something more nearly exhaustive.

8. I agree entirely with paragraph VII.

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Extract from a letter No. 391, dated 27th October 1914, from J. Wilson Johnston, Esquire, Deputy Commissioner, Jhelum, to the Commissioner, Rawalpindi Division.

* * * * * *

There is much to be said for Mr. Maynard's views as expressed in paragraph 3, and I admit that many new assessments are made on most flimsy grounds, at the same time the duty of the assessing officer is one of the utmost difficulty. At the present time any bania considers that he is justified in denying for the purposes of assessment that he keeps account books and at the same time he has no hesitation in producing such before civil courts in support of claims against his debtors and this too at a very short interval after his denial of their existence. It is my opinion that some change in the law is required to meet this attitude and I would suggest either that—

(a) Civil courts should be ordered to notify the Income-tax Collector of any cases that come before them in which any civil case is supported by account books and that the Collector having perused the income-tax file of the owner of the books should proceed against him for perjury in any case in which he shall have denied the existence of such books within the year for which he has been assessed. To allow of this procedure it would be necessary for the Collector or his subordinates at the time of assessment to record the assessee's statement on solemn affirmation, or

(b) that on assessment the assessing officer should in all cases record the assessee's statement as to the existence or non-existence of accounts and that a copy of such statements should be supplied to all the civil courts of the district.

In any case in which any assessee who had denied the existence of books sought to prove any claims in a civil court, he might be estopped from producing such accounts in evidence.

Extract paragraphs 3 to 5 from a letter No. 5842, dated 17th November 1914, from C. J. HALLIFAX, Esquire, Commissioner, Multan Division, to the Senior Secretary to the Financial Commissioners, Punjab.

* * * * *

3. I have always insisted on the necessity for acting in accordance with the instructions laid down in paragraphs (III) and (IV). At present income-tax note-books in tahsils are practically useless. The responsibility of Tahsildars for maintaining them properly should be insisted upon. A Tahsildar should be able to show from the notes in his book justification for every increase of assessment proposed except only in the case of assessees who are required to furnish statements of their accounts and fail to do so. Among other things the Tahsildar should be required always to make an estimate of the capital used by every assessee or the volume of his trade and in order to check the production of false account books they should be required to initial account books found actually in use on the inspection of business premises and to note that they have done so.

4. With reference to paragraph (VI) of the instructions it would perhaps be useful to indicate points which should be noticed in the report of a Commissioner. It should mention whether the books are complete, what figures have actually been taken from accounts and what are merely estimated, whether there is any evidence of transactions not entered in the accounts and what is the estimated value of the total volume of trade.

5. The instructions contained in paragraph (VII) will I think do a great deal of good as many important facts relating to assessees are not formally brought on record except in appellate orders.

Extract from a letter No. 427, dated 5th September 1914, from Pandit HARI KISHEN KAUL, C.I.E., Deputy Commissioner, Montgomery, to the Commissioner, Multan Division.

* * * * As a matter of fact I am already acting on most of them. I decline to uphold an enhancement or a fresh assessment unless some facts justifying the course are given, and I find that instructions given by me last year have led the Tahsildars to collect materials for enhancement in most cases. I insist on such facts as the nature of profits and the extent of dealings. It is very easy for a Tahsildar to ascertain that a shop-keeper purchased and sold 1,000 bags of wheat or 500 bags of sugar or that he has a *parchun* shop with a profit of about Rs. 2 per day. When such facts are quoted I expect the objection to disprove them and reject his application unless he shows reliable accounts leading to a different conclusion. I insist upon reliable men being appointed as local commissioners and the Tahsildars have to give reasons whenever they differ from their reports. In enhancements and first assessments it is certainly the duty of the assessing officer to justify his proposals.

On the other hand, I make no reduction in an existing assessment unless the objector can prove by thoroughly reliable accounts or other means that his income has suffered a marked falling off.

Note, dated 22nd October 1914, recorded by Hafiz GHULAM RASUL KHAN, Revenue Assistant, Jhang, in case regarding assessment of income-tax.

WITH reference to paragraph 3 of letter No. 1191, dated 27th January 1912, containing instructions issued by the Hon'ble Mr. H. J. Maynard, copy received with Commissioner's office endorsement No. 4409, dated 1st ultimo, I beg to state that the instructions contained therein are already being observed, mostly in this district. As far as my experience goes there is no doubt that the inspection of book accounts, the seeing of the contents of the shop and the general repute are the sources to form an opinion to estimate the income of an assessee but some more facts are required to be ascertained in addition. Because it has often been seen that when the assessing officer tries to find out some sources of income of an assessee the man so assessed then tries to seek measures for the future to get rid of income-tax payment. Some people make separate books of accounts, one set for themselves and the other for their sons and the third for their grandsons. When commission is made to inspect the accounts the head of the family brings forward for inspection the books he has in his own name and makes no mention of the other books and the profits gained by his son and grandson. On the contrary, he tries to show that his son and grandson are separate from him though actually they be common members of one and the same family with common interests. Some do not show bond debts in their books. As they keep no rokar bahi (cash book) it is therefore very difficult to arrive at a right conclusion merely on books inspection. Recently in an objection case it came to my notice that the amount of income given by the objector differed from that shown by him when asked by the Court to give detail of debts and income and the amount of profit reported by the commission appointed by the Tahsildar differed from that reported by the other commission appointed by this court. Such being the case it becomes very difficult to believe the books unless all the assessee's sources of income are fully enquired into. Under the circumstances it should be made the duty of the assessing officer to consider the sources of income of the assessees in cases of new and enhanced assessment when the assessees are not Municipal, District Board, Public Work Department and Railway and Canal contractors. The assessing officer should enquire :—

1. From local respectable men the sources of income.

2. From the debtors with whom the person is told to have money lending transactions the amount of debt and the rate of interest to be paid.

3. He should see the contents of shop at the time of assessment and consider the annual consumption of goods sold.

4. He should consult the Railway books for the *daramad baramad* of the quantity of goods and store.

5. He should enquire the receipt of the rent of buildings, etc.

6. He should consider the rise of price. When an old assessee applies to have his last year's assessment reduced or to be exempted from assessment he should prove that :—

   (1) His debtors have become insolvent or bankrupt.

   (2) His goods have not caught fire or any boat of his goods has sunk in the river.

   (3) That his buildings have ceased to give rent.

   (4) That his co-sharers have separated or divided the capital.

   (5) That the prices have fallen considerably.

In other words unless the assessee proves that he has suffered much in his income and shows *Numayan Kami* in his income he should not be exempted from assessment.

Extract from a letter No. 936, dated 16th November 1914, from W. C. Renouf, Esquire, Deputy Commissioner, Rawalpindi, to the Commissioner, Rawalpindi Division.

* * * * The instructions issued by Mr. Maynard as Commissioner of Rawalpindi are receiving attention in this district. Income-tax assessment is certainly rather tedious and unattractive work. But it has to be done, and when a Tahsildar takes reasonable trouble on the lines sketched by Mr. Maynard, a fairly satisfactory assessment is obtained. Further, the Tahsildar is placed in a position to cite facts in support of his assessment which greatly facilitate the disposal of objections. This year, the Tahsildar of Rawalpindi has made personal enquiries and his cases have given very little trouble thus far. I may also note that, excluding a local bank which has gone into liquidation, he has increased the gross assessment, made by Lala Ragu Nath Das, Extra Assistant Commissioner as a special officer last year.

2. As I have already reported, I have arranged that each Tahsildar shall divide his charge into 3 parts, and that he will make a special revision each year in one of these part.s I think this will tend towards placing the general assessment on a sound basis, and this without really adding to the Tahsildar's work.

3. I am in agreement with the instructions in paragraph III of Mr. Maynard's instructions. I consider that Tahsildars should be required to show definite grounds for raising an assessment, and that this is not asking too much from them.

4. I would suggest the necessity of Tahsildar's keeping a record in their note-books of the transactions of branches in their jurisdiction, which are assessed at their headquarters in other tahsils or districts. We do not usually receive very careful reports on branches of firms in other districts. And when an assessment is raised on objection, the result should be communicated to all Tahsildars concerned.

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